

Children's diac... t may be... med.

Chancellor's critics win boost for railways

By Julian Haviland, Political Editor

The Cabinet, after two hours of talks on economic strategy yesterday, was said to have agreed that the Treasury's "broad general policy" should continue.

Mrs Margaret Thatcher and Sir Geoffrey Howe, Chancellor of the Exchequer, considered afterwards that they had won endorsement of their view that the reduction of inflation, though made harder by the fall in the value of the pound, must remain the main target, and that sustained recovery in output and employment demanded that.

There was, however, substantial disagreement about the proper level of public expenditure for next year, and anxiety about the rising level of unemployment.

Mr James Prior, Secretary of State for Employment, characteristically raised this first. He had come armed with figures from Treasury sources, which he quoted, showing unemployment standing at three million or more in two or three years time.

There was what one source described as an "arm's length" discussion on the expenditure cuts which the Treasury will be seeking next year. One spending minister after another appears to have argued that there was no room to trim programmes any further. There was no extended arguments. That will happen between each department and the Treasury in turn, in the autumn.

The Chancellor opened with a 15-minute survey, designed to show that present strategy was succeeding.

Speaking to a brief which he had circulated in advance, he reminded his colleagues of the Government's inheritance of high inflation and low com-

BL making more cars with 30,000 fewer men

By Edward Townsend

Sir Michael Edwards, chairman of the less-making BL, disclosed a new set of productivity figures yesterday showing that the company is now making more cars with 30,000 fewer workers than a year ago.

In the first five months of this year, BL produced an estimated 170,000 cars—about 4 per cent more than in the same period of 1980.

Sir Michael said that since the start of 1978 more than 60,000 people had left the company, making BL's total United Kingdom labour force 120,000, and that the company had not caused a single major strike.

The closure of the Rover plant at Solihull is expected to reduce the labour force by a further 5,000 during the next 14 months and Sir Michael has already indicated that numbers will continue to fall until the end of next year.

His speech yesterday, delivered to the American Chamber of Commerce in London, was designed, however, to counter suggestions that the BL recovery plan, being backed with another £300m of state aid, was concerned with decline.

"In 1980 we halted the decline in our market share on trucks and cars, a decline that had gone on for many years. Since the launch of the Metro car, the car market has not only stabilized but gone up again."

The strategy might include cuts, but it was not confined to negative action, he said.

The new Triumph Acclaim being built at Cowley in collaboration with the Japanese was now coming off the production line, just 18 months after the joint venture agreement was signed. Like the Metro and Land-Rover projects, the Acclaim had been on time and within its capital expenditure estimates.

These projects, plus a comprehensive renewal of the truck and bus range, were funded by a mixture of internal generation, public finance and borrowings from banks. "The Japanese have not been used to subsidising strikes in any sense."

Sir Michael said in 1976 the big BL factory at Longbridge in Birmingham was free of disputes for only 8 per cent of working hours. Now the company has been free of disputes in 36 factories this year for more than 99 per cent of available hours.

"We may or may not recover, but our work force is co-operating well. They deserve full credit. The major threats now are external ones rather than threats from within the company."

On the new voluntary agreement between Japan and the United States to limit Japanese imports, Sir Michael said the Japanese find themselves able to keep to this agreement with more punctiliousness than they have shown in Britain, where their light van sales this year are running at double the agreed quota.



Campaign not affected, says cheerful Benn

By a Staff Reporter

"I am feeling very well," he declared. "That must be obvious." After a rest until the end of July and a holiday in August, "I shall start again in September."

His absence, he said, would affect "not in the slightest" his campaign for the party deputy leadership. "It is not about me, it is about issues, and the issues are well launched."

He declined to comment on Mr. Healey or Mr. Foot but announced that it was his 32nd wedding anniversary which he was celebrating by going home. "It will be our first time together without an engagement for very long time."

Mr. Michael Foot, who addressed the policy conference of the Iron and Steel Trades Confederation at Bourne-mouth yesterday, appeared to tone down his attack on Mr. Benn. He urged the party to settle its differences and concentrate on the "real enemy", the Government.

Conference, page 2
Putting people right, page 14

Israel 'mistaken' on reactor threat

From Patrick Brogan, Washington, June 17

A report prepared for Congress says that the Iraqi experimental nuclear reactor destroyed by Israel on June 7 could not have been used to build nuclear weapons secretly. The report, written by the research service of the Library of Congress, suggests that Israel was mistaken in considering the reactor a threat.

"In normal operations, the Iraq reactor could have produced small amounts of plutonium, probably much less in a year than the 5kg required for a sophisticated weapon or the 15kg for a simpler weapon."

"If the reactor had been operated solely to produce as much plutonium as possible, the changes in operation would have been so noticeable as to quickly attract the attention of international inspectors."

The report observes that the reactor would have been inspected "probably at monthly intervals, after startup", by the International Atomic Energy Agency (IAEA).

"On the whole, the Iraq reactor probably could not have been operated solely to produce plutonium without quick detection, or is fanciful, and Mr. Begin said on Sunday that he made an honest mistake. The Israelis also claimed last week that American intelligence had information before the attack that the reactor was being used to build a bomb, but now admit that nothing of the sort happened."

Most important, Mr. Begin repeated on Sunday that the reactor would have become operational in July and that it could not be attacked afterwards for fear of releasing a huge cloud of radioactivity over Baghdad.

The French insist that the reactor would not have become operational before the summer. The congressional report also suggests that no great amount of radioactivity would have been released. Anyway, Mr. Begin denies that his decision to order the attack was in any way connected with the Israeli election on June 30.

Election violence, page 8
Leading article, page 15

Paris economic summit breaks up in disarray

From Frances Williams, Paris, June 17

The two day meeting of economic ministers from the 24 member countries of the Organization for Economic Cooperation and Development (OECD) broke up in disarray here this evening.

A carefully-worded final communiqué failed to disguise the deep splits between the industrialized nations with the notable exception of France who want to continue tough money and fiscal policies to fight inflation and smaller countries who want greater emphasis on expansionary measures to halt fast-rising unemployment.

The communiqué states that both curbing inflation and reducing unemployment must be of prime concern. It says that no inflation is an indispensable condition for sustained growth and higher employment, requiring firm money and fiscal policies. But when unemployment is high and rising, too tight a squeeze would risk being self-defeating.

The communiqué admits that countries are divided over the extent to which expansionary policies would make inflation worse, and the damage being done by restrictive policies in prolonging the recession.

In sharp contrast to the unanimity expressed at previous meetings on the need to combat inflation through tough economic policies, the communiqué concludes that the mixture of policies to be pursued must depend partly on the situation of each individual country.

M. Jacques Delors, the French Minister for Economics and Finance, said that prolonged recession, and mounting unemployment in Europe and the Third World could provoke social and political disorder. There was a danger of creating a new stop-go cycle in which incipient economic recovery was quickly stifled by higher interest rates to restrain money growth, plunging countries into deeper recession.

Tories pick bus driver for Warrington fight

Mr Stanley Sorrell, aged 42, a London Transport bus driver, is to fight the Warrington election for the Conservative Party.

A father of five, he was chosen from a record 73 prospective candidates to try to retain the Conservative gradualist second place in the seat, which Labour strengthened in 1978.

Mr Sorrell, of Mill Hill, north London, was adopted Parliamentary candidate at a special general meeting of Warrington Conservatives, and defeated local hopefuls.

He was a member of Hackney Council from 1968 to 1971, and served on the planning and highways and housing committees. He was elected a member of Barnet Council in 1978 and is a member of the housing, public works and allotments committees.

He is a governor of eight schools and a committee member of the Anglo-Asian Conservative Society, Barnet branch.

He was branch chairman of the Transport and General Workers' Union at the Finchley bus garage from 1977 to 1979.

He joined the Finchley and Friars' Barnet Conservative Association in 1974, and was elected vice chairman in 1979.

He is facing the biggest challenge the Conservatives have had in any Warrington contest—that of holding the party's seat against the Social Democrats' heavyweight Mr. Roy Jenkins. Mr. Sorrell has been in second position in Parliamentary contests for the past 35 years.

Labour has drawn up a short list of six from 60 nominations and these will be considered by the constituency management committee at the end of this week. A candidate will be announced on Saturday.

A moderate candidate strongly identified with the grass-roots of trade unionism and able to mount an aggressive campaign against rising unemployment and the town's shrinking heavy manufacturing base is seen as the ideal choice.

He is a widespread concern about job losses and with the Social Democrats making this their first major attack, Labour want a man with an industrial background prepared to do battle to create more jobs, in Warrington and beyond.

Protests on Ulster mar royal visit

From Michael Leapman, New York, June 17

Prince Charles paid his visit to New York today on a warm, sunny morning, but received for several days a cool, wet welcome. City and state officials used the occasion to criticize British policy in Ireland, Irish-Americans planned a big demonstration and there was a mean-spirited quarrel about the prince's pay.

It was therefore not surprising that the Prince, who complained of laryngitis, was a bit sharp with reporters when he arrived at a pier in Lower Manhattan for a lunchtime cruise round the harbour.

"I ask the questions," he barked hoarsely to a clutch of them thrusting microphones into his face, "sumbunt from his side, as I said yesterday. Then, when he was asked how he liked New York, he snapped: 'I've only just arrived.'"

There was a brief incident just after he boarded the boat when a man, shouting "Irish flag", tried to fly a flag from the mast of a few hundred feet of the yacht.

The strongest statement criticizing British policy in Ireland came from Mr. Mario Cuomo, New York governor, who said the visit "should not be viewed with unalloyed pleasure."

Mr. Edward Koch, the mayor of New York, startled reporters by declaring the British should get the hell out of Ireland.

He said that he had suffered any indignities as a result of the Irish troubles.

He said the Prince replied that he had great sympathy for the Catholic minority in Northern Ireland but denied that British rule there constituted "colonization."

Mr. Koch also said: "The Prince said he gets distressed when he gets the Irish press. He said the Prince was especially distressed because his great Uncle, Lord Mountbatten, was murdered by the IRA."

When he asked "Prince Charles about the incident in which a man with a pistol fired blanks near the Queen," the Prince said that "when the Queen was saying something like 'Mama, Mama' and then saw other people on horseback drawing their swords to protect her."

Photograph, page 8

Cut in warship fleet is rubbish, Speed says

Mr. Keith Speed, the dismissed Navy Minister, last night branded the Ministry of Defence plans to reduce Britain's warship fleet as "rubbish."

He said on the eve of the Cabinet meeting to decide on the proposal that to believe that hunter killer submarines and RAF maritime patrol aircraft could deal with the Soviet submarine threat was "frankly rubbish."

"The Russians know it is rubbish. The intelligence people know it is rubbish. The Secretary of State knows it is rubbish."

He said the original proposals had been slightly watered down. "The original scenario was pretty horrible. Things are not going to happen quite as quickly now."

Mr. Speed, dismissed by Mrs. Margaret Thatcher for his opposition to cuts, said plans to sell one or more of the Navy's new in-vincible class frigates to the Austrians was "totally preposterous."

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Pay figures reveal sharp fall in living standards

While the Government was able to give the first encouraging indications that the drop in industrial output may be starting to stabilize, official figures also showed that living standards fell sharply in April.

Average earnings rose 1 per cent to stand 14 per cent higher than the previous April, but wages would have had to rise 15 per cent to hold standards steady.

Page 19

Buy British Thatcher tells Suzuki

By David Spanier, Diplomatic Correspondent

Mrs Margaret Thatcher gave a sharp warning to Mr. Zenko Suzuki, the Japanese Prime Minister, in their talks at 10 Downing Street yesterday that Japan must open its markets more to British exports.

They agreed on the importance of free trade as opposed to protectionism, but with Mr. Suzuki declining to be drawn on matters of detail, economic relations between the two countries were left very much where they were when the talks started.

International questions were barely touched on in the hour of talks, which with translation amounted to about 15 minutes for each leader.

According to a very polished Japanese spokesman, Mrs. Thatcher invited Mr. Suzuki to give his views on Afghanistan, Poland and the Middle East. Mrs. Thatcher said she was interested in the question of how high unemployment was in Japan. Mr. Suzuki said that that was very high for Japan.

On the economic side, Mrs. Thatcher emphasized that the Japanese market should be as open as the British market was to Japan, and explained the problems which countries such as Britain face when there are heavy flows of imports in sensitive sectors.

According to the Japanese spokesman, Mr. Suzuki appreciated the frank expression of the Prime Minister's views. He pointed out that Japan is not a closed market, and that the policy of view of tariff and other barriers, Japan compares favourably with the United States and the EEC. The Japanese distribution system, which British exporters have found particularly impervious, was not discussed.

Mr. Suzuki assured Lord Carrington, the Foreign Secretary, that he need not worry about a diversion of Japanese cars to European markets, as a result of Japan's recent agreement with the United States.

Both Prime Ministers expressed their support for free trade.

Fowler announces ban on 44-tonne juggernauts

By Hugh Noyes, Parliamentary Correspondent

Environmental and amenity groups won a significant victory last night when Mr. Norman Fowler, Secretary of State for Transport, announced in the Commons that 44-tonne lorries would not be allowed on British roads.

Mr. Fowler made his surprise announcement during a short debate on the Armistage report on lorries, people and environment. There was a loud cheer from both sides of the House as the Secretary of State said that although the Government was not ready to comment on the full range of the Armistage recommendations, when the Government's response came it would not contain any proposal for a maximum weight as high as 44 tonnes.

The Government, Mr. Fowler added, would not therefore be opposing the Opposition motion which described the problems caused by existing heavy lorries and urged rejection of the 44-tonners.

The Government's decision to back down on the heavy lorry issue appears to have developed unusually suddenly. Only a few minutes before the debate, there was a three-line whip on Conservative MPs to vote against the Labour motion.

Although British towns and villages have been spared the more monstrous lorries, Mr. Fowler made clear that his decision came more from the fact that there was not a great demand for them from industry and commerce, and that they were a nuisance to the environment.

He said that the ban on 44-tonne lorries did not pre-empt what might be proposed on the recommended weights for the four and five axle lorries. He had been pressed by almost all sectors of industry to accept heavier weights.

A jump from the present maximum weight of 32 tonnes to 44 tonnes would have taken Britain from having the lowest lorry weights in Europe to one of the highest.

Later Mr. Fowler made another concession to the environment when he said that some amendments to the Transport Act would be available to users of waterways and canals so that freight could be attracted from the roads.

Parliamentary report, page 4

Critics of Ripper police attacked

Mr. Ronald Gregory, the Chief Constable of West Yorkshire, spoke of the scorn and condemnation of the police after the Yorkshire Ripper trial. He said the commendation given by Mr. Justice Boreham—the trial judge, received scant comment in the press.

Page 3

Racism blamed for failures

Racism, negative teacher attitudes and inappropriate curriculum can play a big role in the cultural achievement of West Indian pupils in school, an interim report by the Rampton committee of inquiry says.

Page 5

Civil servants reject strike

The threat of an all-out strike by Britain's 530,000 white-collar civil servants recoiled as most were against a national walk-out.

Page 2

Police action in Brixton defended

Police saturation action to combat street crime the week before the Brixton riots was defended by the outbreak of violence. Det. Chief Inspector Jeremy Ploymann, organizer of the operation, told the Scarman inquiry.

Page 2

CBI call to outlaw closed shop

By Peter Hill and Donald Macintyre

Employers are to urge the Government to act quickly to eliminate the closed shop.

The call will be made by the Confederation of British Industry in a paper which it is to submit shortly to Mr. James Prior, the employment secretary in response to his Green Paper on trade union immunities.

Mr. Len Murray, TUC general secretary, immediately accused the Government and the CBI of playing a dangerous game by contemplating further anti-union legislation.

His comment came as senior union leaders confirmed their decision not to reply to the Green Paper until three months after the deadline set by ministers.

The CBI's policymaking committee endorsed the industrial relations reform document which was submitted to Mr. Prior yesterday and has also adopted a tough stance against the index-linking of Civil Service pensions.

Industrialists are to tell the Government that it should phase out full inflation-proofing for civil servants and will emphasize its strong opposition to an extension of index-linking to pensions in the private sector.

The CBI will tell Mr. Prior that it considers there is an important but limited role for the law in industrial relations. But it wants to see changes, including greater trade union accountability, further restrictions on secondary action and legal backing for disputes procedures.

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Continued on back page, col 1

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Page 2

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Page 2

Home News 2, 3, 5
Overseas News 7-9
Appointments 16, 22
Arts 12
Books 12
Business 18-22
Chess 16
Church 16
Court 16

Crossword
Diary
Events
Features
Law Report
Letters
Obituary
Parliament
Sale Room

28 Science 2
29 Sport 9-11
30 TV & Radio 27
31 Theatricals 24
32 10 Years Ago 16
33 Universities 16
34 Weather 28
35 Wills 26

Science report, page 2
Personal, pages 25, 26
Times Information Service, back page

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Police tactics not to blame for riot, Scarman told

By Lucy Hodges

The police officer who devised the "Swamp 81" operation to combat street crime the week before the Brixton riots said yesterday that it was not responsible for the outbreak of violence on Friday, April 10.

For that reason it was decided not to call off the exercise the next day designed to catch robbers and pickpockets.

Det Chief Insp Jeremy Plozman, who joined Brixton police station in January this year, told the third day of the Scarman inquiry: "I do not believe this operation heightened the temperature of the day, nor caused the disturbances."

People at the public gallery at Lambeth Town Hall were restless during Mr Plozman's cross-examination and there were cries of "bustle" and "move on" from the gallery.

He said the operation was a success. "I had 100 police officers in plain clothes were put on the streets of Lambeth, was a success."

He insisted that the methods used were sensitive. The operation motivated his men and made them more enthusiastic. It led to 543 people being stopped and 100 arrested, and 79 matters becoming subject to criminal proceedings.

Street crimes fell by about 50 per cent. Swamp 81 had the approval of Commander Brian Fairbairn the officer in charge of the area including Brixton, and had been discussed with the community affairs officer, he said.

"His advice was that the

temperatures were low and that there were no problems that could be foreseen." The operation was a response to what Mr Plozman said was a rapidly worsening crime rate in March.

It was intended to be a low-profile exercise, unlike the Special Patrol Group operation of previous years. But it was not discussed with leaders of the black community because it was a covert operation, he said.

The average age of the Swamp officers in Brixton was 24 years and nine months. They were not instructed to look for black people but most street robberies, muggings and pickpocketing were committed by blacks, mainly between the ages of 14 and 17, he said.

Mr Plozman said: "Fifty-six per cent of all footpad crimes in London were committed in the Brixton area of Lambeth, he said. The victims were mainly old white women."

The Swamp officers were instructed to use surveillance and to act on suspicions to stop people and make enquiries and investigations. They were told to be polite, firm and civil, he said.

Mr Plozman added that used periodically the exercise would be successful. Its main effect was a deterrent one.

Mr Plozman said he thought the exercise was a success. The Brixton Road area on the Friday night, because of a separate drugs raid the week before in which 100 uniformed officers had raided four houses.

The police were prevented from talking to Michael Bailey, the stabbed youth, on the Friday because local blacks did not want him to disclose who was responsible for the stabbing, Mr Plozman said.

He said he knew Swamp 81 would be used as a reason for the disturbances when news of it was published on April 13. But it was the drugs raid which caused the disturbance, he said.

Miss Caroline Tisdall, a journalist, told Lord Scarman that she saw two men, whom she assumed to be plainclothes policemen, carrying iron bars.

It was the large, fair-haired man and said his iron bar made a terrible impression and it would be better if he put it away, she said. "He was in a mood of some excitement and said: 'It's great. It's like Nothing Hill Gate'."

Miss Tisdall, former art critic of *The Guardian* and now a freelance journalist, criticized police tactics before and during the riots. She was convinced that the crowd of black youths would have dispersed if the police had withdrawn.

She blamed the riots on the build-up of outside police forces in the area, the rumours circulating about the stabbed youth and the Swamp 81 operation of the week before.

Labour leader tries to form Dublin coalition

From Christopher Thomas, Belfast

Mr Charles Haughey's chances of remaining Prime Minister of the Irish Republic ended yesterday, but the outcome of last week's inconclusive general election was far from certain.

The Labour Party, with 15 Dail seats the third biggest political grouping in the Republic, elected a new leader whose coalition views are well known.

Mr Michael O'Leary, aged 55, the deputy leader and a former trade union official, was unanimously chosen by the Parliamentary party to succeed Mr Frank Cluskey, who lost his seat.

He will attempt to create a coalition government with Fine Gael, as in 1973-77, but the task will not be easy, partly because of sharp differences over the need for a wealth tax.

Fine Gael which has strong support from the middle classes, and big landowners, is determined not to accept an earlier disavowal of support for the wealth tax. The Labour Party, however, has no commitment to a wealth tax is not negotiable.

Mr O'Leary is due to report to a special delegate conference on Sunday week, a week later than originally scheduled, on the prospects for a coalition.

The Dail is due to appoint the new administration on June 30.

Mr O'Leary has exercised his right to relinquish his seat in the European parliament and to nominate Mr Cluskey as his successor. Mr O'Leary is a Cornum, first elected to Parliament in 1966, and represents Central Dublin.

He is regarded as a right-wing member of the party, in line with his predecessor.

The number of Republican hunger strikers at the Maze prison, near Belfast, is to be increased from six to eight and held at that level, Provisional Sinn Féin said yesterday.

The plan is to replace every man who dies. There was no indication when the extra two men would begin fasting. The idea appears to be to ensure that at all times at least one hunger striker is close to death.

A policeman shot in an ambush in Northern Ireland last night died later in hospital, the Press Association reports. The part-time RUC reservist, aged 25, was ambushed in his car near his home at Carrickmore, Co Tyrone.

By a margin of 8 votes, dele-

gates agreed to seek a change in the party's electoral college designed to give MPs half the votes in the leadership election instead of 30 per cent as agreed by the Wembley conference in January.

In his speech to the delegates, Mr Michael Foot, the Labour Party leader, who favours this change, appeared to tone down his attack on Mr Wedgwood Benn, the left candidate for the deputy leadership against Mr Healey.

The Opposition Leader made only a passing reference to allegations that he was conducting a "witch hunt" against the left and urged the need for the party to settle its differences and to turn its thumbs on the "real enemy", the government.

The second biggest union, the Society of Civil and Public Servants, has returned a vote of 63 per cent against a national strike. Local meetings showed overwhelming support for continuing the present strategy.

British Airways said last night that the action by air traffic controllers at Heathrow today will involve 23 cancellations on European and domestic routes and that 12 shuttles to Manchester, Edinburgh and Glasgow would also be cancelled (the Press Association reports).

The Government announced new regulations yesterday to safeguard new pensioners whose claims have not been processed because of the Civil Service dispute (the Press Association reports).

Mr Norman Buchan, Labour social security spokesman, said: "The Government has known about this problem for more than three months. People due to retire on June 29 could actually lose their pensions."

The Shadow Cabinet decided last night to recommend to the parliamentary party that Labour MPs be given a further vote next Monday on the Bill preventing convicted criminals serving a jail sentence from standing for Parliament.

It is known that a large majority in the Shadow Cabinet opposes the Representation of the People Bill which has been introduced by the Government to prevent a repetition of the Fermanagh and South Tyrone by-election in which Robert Sands, the Provisional IRA hunger striker, was elected to the Commons.

Mr Roy Hattersley, shadow Home Secretary, and Mr Michael Foot, the party leader, intend to try to persuade their colleagues to vote against it.

But by recommending a free vote the Shadow Cabinet is avoiding a potentially embarrassing situation.

By Our Education Correspondent

The sciences, with the exception of biology, are expected to escape relatively unscathed in the restructuring of the university system which the University Grants Committee is finalizing today.

Letters telling each of Britain's universities how much of a cut in grant they will have to bear, together with advice on other cuts and targets for house numbers up to 1983 to 84, are likely to be sent out on June 29 or 30.

Those letters are confidential and may not be publicly released. That is certainly the line the Government intends to take in reply to requests by MPs to make letters available.

However, Mr Joel Barnett, chairman of the Commons Public Accounts Committee, believes he may have the power to demand copies.

The University Grants Committee is expected to decide today whether to break with normal practice and issue a detailed explanation of its recommended cuts in response to home students of about £250m.

Moderation vote by civil servants

By David Felton, Labour Reporter

The threat of an all-out strike by Britain's 530,000 white collar civil servants receded last night and union leaders will meet today to decide how best to continue the 14-week pay dispute.

Most union members voting at meetings around the country over the last week were against a national strike, but recorded strong support for continuing and intensifying the present campaign of selective strikes.

The only exception was the Civil and Public Services Association, the biggest union, where there was a clear majority in favour of a national strike. The union's executive decided last night to press for the strike to go ahead when members of the Major Policy Committee of the Council of Civil Services Unions met in London this morning.

Union leaders were predicting that there is unlikely to be unanimity among the nine unions of the committee but even those who are strongly opposed to a national strike would appear which will enable the strikes to continue and in some areas be intensified.

Just over 100,000 members of the CPSA voted at branch meetings, and nearly 45,000 were in favour of all-out action. Nearly 33,000 voted to accept the Government's 7 per cent pay offer and about 24,000 supported continuing the present campaign.

Mr Kenneth Thomas, general secretary of the CPSA, said that his executive regarded the vote as a clear mandate for a national strike. "One interesting aspect of the votes of other unions is that nobody has got a really significant vote for settling with the Government."

That view was echoed by Mr Anthony Christopher, general secretary of the moderate Inland Revenue Staff Federation, whose members voted 21,000 to 17,000 against an all-out strike, but registered support by a 5 to 1 majority for continuing the selective action.

"With these votes we face in the IRSF a degree of militant determination unthinkable a short while ago," Mr Christopher said.

The second biggest union, the Society of Civil and Public Servants, has returned a vote of 63 per cent against a national strike. Local meetings showed overwhelming support for continuing the present strategy.

British Airways said last night that the action by air traffic controllers at Heathrow today will involve 23 cancellations on European and domestic routes and that 12 shuttles to Manchester, Edinburgh and Glasgow would also be cancelled (the Press Association reports).

The Government announced new regulations yesterday to safeguard new pensioners whose claims have not been processed because of the Civil Service dispute (the Press Association reports).

Mr Norman Buchan, Labour social security spokesman, said: "The Government has known about this problem for more than three months. People due to retire on June 29 could actually lose their pensions."

The Shadow Cabinet decided last night to recommend to the parliamentary party that Labour MPs be given a further vote next Monday on the Bill preventing convicted criminals serving a jail sentence from standing for Parliament.

It is known that a large majority in the Shadow Cabinet opposes the Representation of the People Bill which has been introduced by the Government to prevent a repetition of the Fermanagh and South Tyrone by-election in which Robert Sands, the Provisional IRA hunger striker, was elected to the Commons.

Mr Roy Hattersley, shadow Home Secretary, and Mr Michael Foot, the party leader, intend to try to persuade their colleagues to vote against it.

But by recommending a free vote the Shadow Cabinet is avoiding a potentially embarrassing situation.

By Our Education Correspondent

The sciences, with the exception of biology, are expected to escape relatively unscathed in the restructuring of the university system which the University Grants Committee is finalizing today.

Letters telling each of Britain's universities how much of a cut in grant they will have to bear, together with advice on other cuts and targets for house numbers up to 1983 to 84, are likely to be sent out on June 29 or 30.

Those letters are confidential and may not be publicly released. That is certainly the line the Government intends to take in reply to requests by MPs to make letters available.

There is a notice board to be found at times outside room 12 in the committee corridor of the House of Commons which says "Queue here for the Wildlife and Countryside Bill".

It is a sign that will be envied by many a minister slogging away on less emotional matters in rooms either side, with an audience of little more than the Palace of Westminster or the stony tourist. The Wildlife and Countryside Bill would seem to have stirred the nation's conscience in a way that rarely happens with more routine legislation.

Today is possibly the last chance for the Opposition to challenge the conservation and environment lobby, to claim that they would rather see the bill go down in environmental folklore rather than Paul Revere's ride or Custer's last stand. This amendment was inserted into the Bill when it was before the House of Lords as clause 39 and provides for financial compensation for farmers from the relevant authorities when an agricultural scheme has been refused, because it would adversely affect the character or amenity of the area.

This would be done by means of a management agreement with the financial arrangements decided on the basis of ministerial guidelines.

The Sandford issue also involves the encouragement of tourism and craft industries and the maintenance of a minimum level of population. The Government's new clause, covering the Sandford issue will be voted on today and may well prove to be the last stand of Mr Denis Howell, Minister for natural disasters in the last Labour government and now the party's spokesman responsible for organizing the voice of countryside conservation.

Not that that voice has been heard. Over the past few weeks and months, as the Bill has surged relentlessly onwards through the House of Lords and now the Commons, there has been one of the most successful lobbying exercises to have been carried out in recent times.

The farming and land-owning interests have been like a small voice crying in the wilderness, seldom heard outside their own specialist journals. The dozens of animal welfare, conservation and recreational bodies have joined forces in an impressive display of strength to apply as much pressure as possible on the Government and the Department of the Environment in particular.

Anyone visiting room 12 for a quick assessment of the Bill's prospects will be inundated

Wildlife Bill approaches climax

Preparing for Denis Howell's last stand

By Hugh Noyes, Parliamentary Correspondent, Westminster

Any issue that brings down on itself the wrath of the MP for West Lothian must always be considered as in some danger.

With more than 1,000 amendments and 50 new clauses behind them, Government and Opposition will be under no illusions that the bill will emerge as anything but a big exercise in compromise.

The Government yesterday published its proposals for restricting agricultural grants for projects likely to have an adverse effect on the natural beauty and public enjoyment of the countryside (Our Planning Reporter writes).

Speaking to the Commons standing committee on the Wildlife and Countryside Bill, Mr Tom King, Minister for Local Government and Environmental Services, said he hoped the clause which had been drafted for insertion into the Bill faithfully reflected the spirit of the so-called Sandford amendment, which was passed by the Lords.

The essence of the new clause is a provision for withholding grants in national parks or other specified areas if planning authorities object that a particular project will adversely affect beauty or amenity.

But as Opposition members pointed out, the clause falls short of the Sandford amendment in not providing for grants to be used positively for conservation and for developing tourism and craft industries.

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Ripper squad on trial by press, police chief says

From Ronald Kershaw, Wakefield

Mr Ronald Gregory, the Chief Constable of West Yorkshire, strongly defended his force yesterday when he spoke of the orchestrated scorn and condemnation poured on the police because of its handling of the Yorkshire Ripper case. "Peter Sutcliffe was not the only person on trial," he said. Addressing the West Yorkshire County Police Committee he said the commendation given by Mr Justice Boreham, the trial judge to the police had received scant comment in the press. "It could only have complicated the orchestrated attack already prepared to launch upon the police," Mr Gregory commented. The attacks by the press had all combined to cloud the truth of the investigation, disclosure of which was prevented by rules governing sub judice and contempt. "Since then, books said to have been written by experts take us into the land of fantasy and fiction. Self-styled pundits of crime detection can now tell us, with hindsight, where we went wrong. "How sad it was to see the scramble to share the publicity and join in the shameful and ill-informed vilification of the police," he said. Many hundreds of police officers were engaged on the Ripper murder investigation, Mr Gregory said. It was inevitable that some mistakes were made but it was a much easier task, to say with hindsight, what might have been done than to have found sufficient evidence to make an arrest. "How silent they all were before Sutcliffe was arrested. The Chief Constable said he would not have supported Mr George Oldfield and Mr James Hobson, the leaders of the investigation, and hundreds of police officers from several forces if he had thought there had been serious neglect. They had cut themselves off from their wives and families to devote their energies to the detection of the killer, Mr Gregory said. Recalling Mr Justice Boreham's reference to the five-year "nightmare" for the police, he said he would add his own commendation to the Ripper squad for their tenacity. "I would like to mention in particular Sergeant Desmond O'Boyle, Inspector John Boyle and Sergeant Peter Smith. Those three officers, in particular, had behaved immaculately. They never put a foot wrong. I therefore hope that and I rarely give them, may be conveyed to the Chief Officer of Police. Mr Gregory said Sir Thomas Hetherington, the Director of Public Prosecutions, had asked to be associated with the judge's commendations. In his annual report to the committee, Mr Gregory said the arrest of Peter Sutcliffe did not happen by chance. It was a simple yet astute act of police-manship and was predictable. His only regret was that detection had not come sooner. When the police were under pressure, the public never lost confidence in them. "Yet there was a curious lack of encouragement from some whose duty it was to support us," Mr Gregory would not enlarge on this point. His report said that apart from the Sutcliffe series of murders, there were 43 other murders in West Yorkshire stretching the resources of the force to the limit. "The morale of the force is good. In times of adversity, the strength of its character rises above uninformed criticism."

Threat by doctors to ban sick notes

By Nicholas Timmins and Pat Healy

Family doctors are to refuse to sign sick-notes for periods of up to seven days from January 1, if they are not convinced by then that the Government will shortly afterwards introduce self-certification by patients for the first week of illness. The decision came as the Government yesterday published its revised proposals for a new sick-pay scheme. The proposals, however, stopped short of any commitment to introduce self-certification from April next year. Family doctors voted overwhelmingly to take unilateral action, if necessary, at the annual conference of local medical committees which represents all 27,000 general practitioners. After the vote, Dr John Ball, chairman of the British Medical Association's family doctors' committee said: "The message to government is clearly that they have got to get on with the job." Dr Ball said the difficulty was that Mr Peter Jenkins, Secretary of State for Social Services, who was eager to see the new scheme introduced, still did not have full Cabinet approval for it. The Government is to enter consultations without prior commitment with the British Medical Association and both sides of industry in an attempt to find acceptable control procedures. That became apparent yesterday when the Government published its promised consultative document on its revised proposals for compensating employers for their extra costs under the controversial plan to transfer responsibility to them for sick pay in the first eight weeks. As the Times disclosed two weeks ago, Mr Jenkins proposed self-certification from next April in a bid to win support from doctors. He also wanted to introduce a year in advance of the proposed new sick-pay scheme in order to persuade sceptical employers that it would work. But the consultative document made clear that he had lost that battle. "With his Cabinet colleagues," it said, "it would be possible to consider self-certification if effective control procedures were feasible. The immediate reaction from doctors was to threaten disruption of the scheme, which was also indicated last night of opposition to the overall plan from many sources. The document set out two new options for compensating employers, which adhere closely to those disclosed in The Times two weeks ago. It also disclosed a number of other Government decisions on criticisms of the original plan, which would transfer responsibility for national insurance sickness benefit at a flat rate to employers. The rates proposed in the consultative document, at 1981-82 benefit levels, were £37 for people earning £45 a week or more and £25 for those earning under £45 a week. In addition, employers would be exempt from paying sick pay to people over retirement age. Employers would also not be required to pay sick pay to women entitled to maternity pay and national insurance maternity benefits, or to women not paying full national insurance contribution rates. They would, however, be required to pay sick pay to widows paying full contributions. Casual workers taken on for less than eight weeks would not be covered, but could claim national insurance benefits. Comments on the consultative document are being sought by September 4, and the Government hopes to introduce a Bill in the next session of Parliament. Compensating Employers for Sickness Pay (DESS, 60p).



Royalty keeps ahead of Ascot styles

Royalty stepped out in differing styles yesterday for the carriage drive on the second day of Royal Ascot. The Queen Mother (above) wore an off-the-face veiled hat while Princess Margaret wore an exotic plumed Rajah-style turban. Princess Alexandra (below left) and Lady Diana Spencer preferred less flamboyant headgear. Lady Susan Hussey, one of the Queen's most trusted Ladies in Waiting, later took Lady Diana under her wing as the Prince of Wales was away in New York. She hardly left her side and walked with her to the paddock when the Royal Family went to look at the runners for the third race. Ascot report, page 11

ASH attack on VIPs' Wimbledon outing

By Michael Clark

Mr Peter Macadam, outgoing chairman of British American Tobacco Industries, yesterday defended his company's actions in inviting senior civil servants, politicians and foreign diplomats to attend this year's Wimbledon tennis championships at shareholders' expense. Mr Macadam, knighted in last week's Queen's birthday honours list, was replying to written questions at the group's annual meeting held in London. The questions were raised by one of its shareholders, Ash (Action on Smoking and Health), the anti-smoking group. Dr Muir Gray, from Oxford, the spokesman for Ash, asked what justification the company had in entertaining the special guests at Wimbledon. The chairman replied that while ASH held only one share of the 364 million in issue it still had every right to express its views at the meeting, although its long-term interest in the group was doubtful. He said the questions, as usual, were designed to attract further publicity to ASH's campaign to bring in further legislation to control smoking. But he remained unrepentant about the entertaining and said the company was allowed to entertain politicians, civil servants and overseas diplomats as it would entertain clients in the normal course of events. In addition, he described as erroneous suggestions in the BBC TV Panorama programme linking cigarette smoking with ill-health. The company has legal actions pending in the United States and Argentina concerning allegations about ill-health brought about by smoking. British American is one of the world's biggest cigarette manufacturers competing in markets in Europe, the United States, Latin America, Asia and Australia. Last year it made £479m pre-tax profit against £481m with over 42 per cent of its activities evolved from tobacco.

Challenge to verdict on force-fed youth

An inquest jury's verdict that a black youth aged 19 who died in a remand centre after being forcibly fed died of "self neglect" was challenged by his mother in the High Court in London yesterday.

Mrs Paulette Campbell, a typist, of Clarence Lane, Putney, London, asked Lord Justice Watkins and Mr Justice Glidewell to quash the verdict on Richard Campbell, who died at Ashford remand centre, Middlesex, of dehydration on March 31, 1980.

Mr Stephen Segley, for Mrs Campbell, told the court: "The jury wanted to return a verdict of neglect by the authorities. But, as the evidence will show, they were 'disguised by' the coverer from being so."

Mr Sedley said that Mr George McWane, the Surrey Coroner, "overtly pressured" the jury to return his preferred verdict. That was something which no judge could lawfully do in a criminal court.

He said the questions for the court were whether the verdict was properly arrived at and whether the jury's findings were truly recorded.

On March 1, 1980, Mr Campbell was arrested for attempted theft. He pleaded guilty at Crampton Magistrates Court on March 10 and was sent to the remand centre where he refused food and drink. A psychiatrist diagnosed dehydration due to schizophrenia but when he was sent to a psychiatric hospital a doctor could find no signs of mental illness and did not admit him. He was taken back to the remand centre and forcibly fed.

Mr Sedley also contended that the process by which the jury was selected meant that the constitution of the court was a nullity. The coroner's officer who made the selections went out of his way to exclude women. Only one determined woman, Mrs Marcia Newsome, of Brox Road, Ottershaw, Surrey, managed to get on the jury, he said.

The hearing was adjourned until today.

Criticism of faulty death certificates

From Peter Evans Home Affairs Correspondent Brighton

Police surgeons fear crimes may be undetected because causes of death are not properly diagnosed properly. Dr R. J. R. Moffat, a general practitioner who serves as a police surgeon in London with the Metropolitan force yesterday called for action by the Association of Police Surgeons of Great Britain over faulty death certificates.

He told the association's annual conference in Brighton that 20 per cent of certificates did not give the correct cause of death, according to a Royal College of Physicians working party.

Dr Moffat said: "In recent years some of us have noted with dismay that some other GP colleagues are less than keen to assist the police with the natural deaths of patients under their care."

He blamed the trend towards group practice, the steep decline in home visiting by family doctors and the widespread tendency to repeat drug prescriptions without seeing the patient. Dr Moffat said that a general practitioner was not obliged to attend a death and received no fee for doing so from the National Health Service or for issuing a death certificate.

He noted in January the reasons given for the non-availability of family doctors after six sudden and unexpected deaths. They were: "Doctors not available until five o'clock", "doctor on holiday", "doctor not on call this weekend", "doctor deceased at home" and "telephone answering machine gave another number."

Flaxman home ruling defended

By John Young Planning Reporter

Local authorities were not entitled to change their minds and retain properties acquired by compulsory purchase for demolition and redevelopment, the Government made clear yesterday.

The subject was raised in the House of Lords by Lord Sudeley, who said he was specifically concerned at the impending demolition of No. 7 Grosvenor Street, London, which was once the home of John Flaxman, the sculptor.

The house is in a substantial block of Georgian terraces which Westminster City Council intends to replace with new buildings.

Replying to Lord Sudeley, Lord Bellwin, Parliamentary Under Secretary at the Department of the Environment, said local authorities should not use their compulsory purchase powers without fully considering other courses of action and the likelihood of future changes in circumstance or policy. To allow them the power to keep properties bought by compulsory purchase for demolition, would discredit public inquiries.

Since the Flaxman house had been listed as of historic and architectural interest before the public inquiry into the purchase order took place, the latter should be seen in retrospect as a joint inquiry into the merits of the clearance scheme as a whole, and that it was with that knowledge that consent to demolish had been given.

Complaint over 'Mail' report upheld

The Daily Mail should not have published a report about Mr Mosyn Evans, general secretary of the TGWU legal department, complained to the editor, Mr David English, that neither of the general secretaries made such remarks, which Mr Evans also denied.

Mr Iain Mackie, assistant managing editor, replied that the information was from a very reliable source and was confirmed.

The Press Council's adjudication was: "The story in the Daily Mail appears to have been based on what an unidentified trade union leader is alleged to have told the newspaper."

It contained alleged misrepresentations of the attitude of Mr Mosyn Evans, general secretary of the Transport and General Workers' Union, and said these were made by two other general secretaries, Mr Ray Buckton, of the Association of Locomotive Engineers and Firemen, and Jim Slater, of the National Union of Seamen, or one quoting one of them but not identifying which. Both have categorically denied to the Press Council making the allegations and comments. No evidence has been put before the council by the Daily Mail that either ever said what is alleged.

The Daily Mail ought not to have published the original story, but having done so it should have published a correction. The complaint against the Daily Mail is upheld.

CHEMICAL FIRMS FACE PAY FIGHT

The biggest union in the chemical industry, the General and Municipal Workers' Union, is to press for individual pay rises with 145 companies, after delegates at a special conference yesterday decided against strike action over the employers' 7.2 per cent offer.

The delegates, meeting in London, approved a five-point programme which included submitting local claims and holding lots on strike action if they fail.

Mr David Warburton, the union's national officer, said afterwards: "If companies negotiate with us and we reach sensible deals, we shall not take action, but I anticipate major problems in many areas for the first time."

More men are retiring earlier, survey shows

By Pat Healy, Social Services Correspondent

Rising unemployment is accelerating the trend towards earlier retirement among men, according to the preliminary results of the General Household Survey for 1980.

Only 67 per cent of men aged 60 to 64 were still at work or looking for jobs, a decline of 8 per cent over 1979, the survey shows. Earlier retirement among men aged 55 and over has been gradually increasing since the mid-1970s, but the new figures indicate that there was a particularly sharp increase in the 60-64 age group last year.

It almost matched the 3 per cent increase over the previous four years, and is attributed more to the effect of the economic recession on employment levels than to genuine choice.

The figures also suggest that concern about the impact of present economic policies on women's employment may have been exaggerated.

The proportion of economically active married women remained static between 1979 and 1980, while the proportion of "non-married" women in work, who include widows, divorced and separated wives, rose by 2 per cent.

The survey figures also show that 17 per cent of the total unemployed do not register. Rising unemployment has, however, had little effect as yet on the acquisition of consumer durables.

IMPORTANT INFORMATION ABOUT HOW TO CLAIM YOUR RETIREMENT PENSION.

Because of strike action at DHSS computer centres special arrangements are necessary to deal with claims for retirement pensions.

If you already get a retirement pension.

Carry on collecting your pension as usual. These special arrangements will **not** affect you.

If you are about to retire.

Here's what to do if you reach pension age (60 for women; 65 for men) after 6 July **and** intend to retire from your normal full time job:

- A few weeks before you retire, phone or write to your local DHSS Office asking for a retirement pension claim form.
- Fill in the form and send it back to the same office. Don't delay, or you could lose money.
- Contact your local DHSS office if you need advice about your claim; or if you don't have enough money to live on and want to claim supplementary benefit.

It may not be possible to work out your full pension entitlement straight away.

In most cases you will get a basic rate pension at first. As soon as possible this will be adjusted to the correct rate and backdated where necessary.

Issued by the Department of Health & Social Security

instructions by 22nd July, 1981.

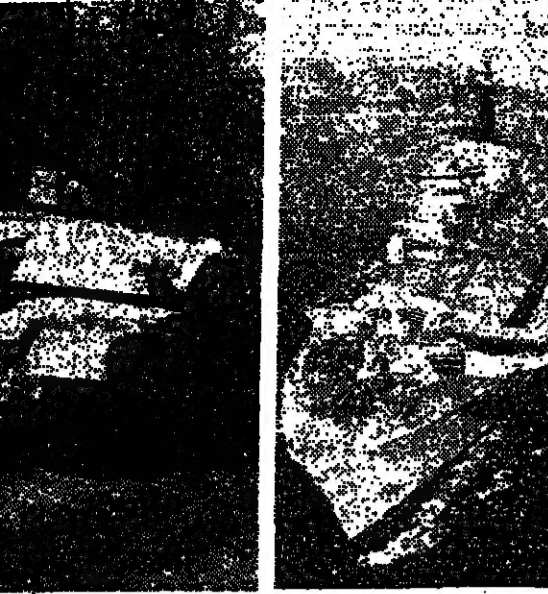
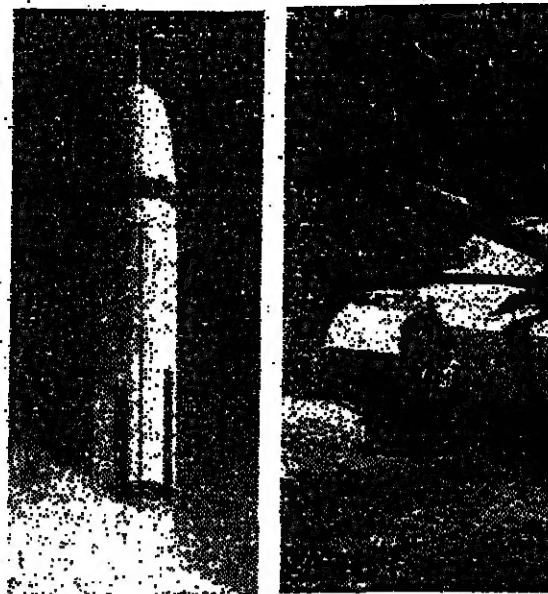
Anatomy of Britain's security: an analysis by The Times

The Nott alternative — a decade of defence we can afford



John Nott — no Prime Minister's axeman, he.

Today the Cabinet holds its crucial meeting on defence. The chiefs of staff have been to Downing Street to express grave concern. The Minister for the Navy has been sacked. The review by Mr John Nott, Defence Secretary, will reshape the pattern of defence for the next 10 years. What can Britain afford in view of the threat to Europe with one new Soviet SS 20 missile being installed every five days? The Times today presents a perspective to the arguments.



Three to keep, one to go: Tornado; Trident missile; Shtr-2 (forerunner of Challenger); carrier Invincible. She might be sold.

Review/Peter Hennessy

New strategy could bring an end to morale-sapping disputes

The seeds of the defence review were sown almost a year ago when the defence budget came under acute pressure with a substantial longer-term difficulty looming over the horizon.

The first was a demand for £500m cuts from the Treasury as part of its effort to reduce the general level of public spending.

Second, a substantial breach of the 1980-81 cash limit on defence budget began to cause alarm as recession-hit contractors submitted their bills to the Ministry of Defence faster than usual. At one stage it appeared that the ceiling had been exceeded by as much as £250m, although more recent estimates suggest the figure is nearer £150m.

Private anxieties inside the ministry were compounded in July, 1980, when the Government announced its intention to purchase the Trident strategic missile system at a cost of £5,000m over 15 years. Although ministers refused to acknowledge it (and still do), the long-term effect of Trident on the overall equipment programme was likely to be severe unless the economy quickened into an unexpected upturn in the early 1980s.

Mr Francis Pym, then Secretary of State for Defence, responded to the outflow of funds by imposing a moratorium on spending, obliging parts of the fleet to remain in port and aircraft to stay grounded. He whittled down the Treasury's demands, threatening to resign twice, and the cut in the defence budget announced by the Chancellor of the Exchequer last November was £200m, which was £300m less than the Treasury originally sought.

Within two months Mr John Nott, who shares Mrs Margaret Thatcher's hard views on political economy, was promoted from the Department of Trade to replace him.

Mr Nott denied in an interview with *The Times* last month that the Prime Minister had given him an axeman's brief, but added that he was reconciled to nobody believing him, even though it was the truth.

The making of the Nott review, and an indication of how the British defence machine reaches its strategic budgetary decisions, is best illustrated by a chronology starting on January 12, the day he arrived at his desk in the ministry.

January
Mr Nott convened a series of meetings and seminars to brief himself on his new department. He said later, he was determined to run rather than allowing it to run him.

He decided to devote virtually all his energy to a 10-year forward look at the core of the defence programme with the

aim of matching commitments to resources, avoiding annual crises and morale-sapping spending moratoria in the future. He also planned to carve out from the reduced budget a contingency fund for himself and his successors to spend on new projects.

At the outset, Mr Nott examined the Trident decision, was convinced of its indispensability and made it clear in the ministry that it was sacrosanct, commitment beyond the scope of the defence review.

He was briefed by Sir Frank Cooper, his permanent secretary and a formidable Whitehall heavyweight, about impending pressures on the budget. Sir Frank chairs the ministry's Financial Planning and Management Group, which includes in its membership the four service chiefs and Sir David Cardwell, head of the Procurement Executive, the ministry's equipment supply organisation.

The group's 10-year forward look, as part of its annual updating of the long-term costings of defence, programmes, was the vehicle upon which the review was determined to build its review.

In addition to Sir Frank, with whom he has a close working relationship, Mr Nott also had individual meetings with the Service chiefs.

By the end of the month, Mr Nott had circulated a minute to his military and civilian advisers, to a battery of defence secretaries concerned with policy making for the three services and the Procurement Executive, plus those divisions responsible for the size and shape of their programmes and manpower, outlining the parameters of his review. He said there were to be no sacred cows, except Trident. Replies were to be submitted to him personally listing their priorities for the coming decade.

February
The Royal Navy, Army and Royal Air Force boards considered the Secretary of State's guidelines. Replies trickled in to Mr Nott's office. He was not satisfied. Most parts of the defence machine had treated it as an exercise in damage limitation, paring the margins of their programmes and no more.

In late February, revised long-term costings showed a projected gap of about £500m for the financial year 1982-83 between commitments and funds budgeted.

March
After discussion with his civilian advisers (who were proving to be the dominant influence upon him) and with the chiefs on whose views he placed less weight, Mr Nott instructed the service boards and defence secretaries to try again. They were told to construct detailed models showing "from the bottom up"

what equipment they considered vital to have in the early 1990s, given a range of possible budgets.

By mid-March, the Admiralty Board had become seriously alarmed at the "worst-case" options for its budget, which, if adopted, would drastically reduce the size of its surface fleet, altering radically the Royal Navy's anti-submarine capability in the eastern Atlantic. Regular meetings between Mr Nott and Mr Keith Speed, the Under-Secretary for the Navy, became increasingly heated.

April
As the "from the bottom up" models for 1991 reached him, Mr Nott expressed greater satisfaction than after the first round. He continued to raise questions about specific programmes.

The ministry's annual defence White Paper, published on April 15, gave the clearest hint so far of what was to come in a preamble signed by Mr Nott. Its message was that the weapons platforms—ships, aircraft, vehicles—had become so costly and sophisticated that they were absorbing money needed for the all-important armaments they were meant to carry.

May
The ministry's internal debate was blown wide open on May 15 in a speech by Mr Speed, said on May 15, the Prime Minister dismissed him after a weekend of heated press speculation about the likely savagery of the cuts, three quarters of which were expected to fall on the Royal Navy.

Next day, Mr Nott confronted backbench critics in his own party while opening the debate on the defence White Paper. At a seminar in the St Ermin's Hotel, London, on May 28, Mr Speed gave warning of crisis in the 1980s and caracism in the 1990s if some of the cuts contemplated by the ministry were implemented.

Next day the Prime Minister abolished individual ministerial portfolios for the services, creating the new post of Minister for Armed Forces.

June
On June 3, the chiefs exercised their traditional right of putting their case to the Prime Minister in person.

At a meeting of the Cabinet's Overseas and Defence Committee in 10 Downing Street on June 8, Mr Nott presented a paper outlining his models for the 1990s, indicating to his colleagues the options he preferred. No senior minister spoke up to save the Royal Navy from radical surgery.

The senior service began to resign itself to its fate. As one black comedian on the naval side commented: "What we need now and quickly is a small colonial war requiring a lot of ships."

Background/Henry Stanhope

A long succession of agonising reappraisals

A priority during the Defence Review has been to make room for the £6,000m Trident missile programme in defence budgets during the next 10 to 15 years. It is not the first time that expensive new equipment has forced existing programmes to be restructured. Five major defence reviews have already been held since the Second World War and in the immediate post-war period and between 1964 and 1970 scrutiny of defence spending was almost continuous.

The basic problem, that of making both ends meet at a time of national diminishing, must seem familiar to Lord Shinwell who was Secretary of State for War during the defence review in 1945. Then, in the year which saw the formation of Nato and the devaluation of the pound, the country was still spending more than the other European allies put together and proportionately more than the United States.

Equipment costs had risen by more than 50 per cent since 1945 when you could still buy a rifle for £7 11s 3d. But better equipment had to be found in exchange for fewer men. So navy and air force budgets were raised while that of the labour-intensive army fell.

It was left to a Conservative government, however, in the aftermath of the Suez debacle, to carry out the surgery which the forces needed to adjust to a post-war world. The error made by Duncan Sandys who conducted the 1957-58 Defence Review however was that he cut off the wrong leg. In 1957 Britain still had 720,000 men under arms, over a third of them conscripts. But although the country was devoting 84 per cent of GNP to defence, the forces were badly equipped and over-committed.

The Sandys solution was to shift the emphasis away from large expensive overseas garrisons to smaller, all-regular, mobile forces, which, with the nuclear deterrent, provided the 'V-bombers' and later 'Blue Streaks' would guarantee Britain's integrity. National Service would end in five years' time, reducing the strength of the forces by 270,000. The Army was more than halved, the RAF lost more than a third, and the Navy a fifth of its manpower.

The bringing together of the three service departments under one Ministry of Defence coincided with the appointment of a new Labour Secretary of State in 1964, Mr Denis Healey. Mr Healey is credited with conducting two defence reviews during his six months years at the Ministry. But it now seems like one long process of change as successive economic crises forced the Government's assaults on spending to be ever more drastic.

Between 1964 and 1966 Mr Healey cancelled in turn the option on a fifth Polaris submarine, the P1154 and TSR-2 aircraft and finally the Navy's cherished carrier to replace the Ark Royal. The main defence responsibilities however, support for Nato in Europe, the strategic deterrent and the post-imperial role outside Europe, remain more or less untouched.

Further economic crises however, including the 1967 devaluation of sterling, forced the Government to "come to terms" with our role in the world—as Harold Wilson put it. It was the East of Suez responsibility which won the Government's approval, its intention to withdraw first from Singapore and Malaysia and then the Gulf. In the quarter of a century that had elapsed since the war when Labour left office in 1970 Britain had not only lost the Empire as Dean Acheson had said, but had started to find a role.

That role was to be in Europe as a member of Nato. But first there was a four-year pause while the Heath government, Lord Carrington as Defence Secretary tried to give the services a period of stability by doing nothing very much. The most significant development of these years was the decision of the Government to let the Healey decisions go through more or less unhindered, despite criticism while the Conservatives were in opposition.

It was left to the next Labour government to tidy up the odds and ends. The 1974-75 Defence Review, the last to be conducted before this present one, had as its purpose the reduction of the defence budget by several hundred million pounds over a period and an equivalent drop in the percentage of GNP devoted to defence from about 51 to about 44 per cent—which was nearer to the figure in the other major European allies.

The conclusions which were revealed in the 1975 White Paper were that the few remaining troops in Singapore should be withdrawn along with the RAF contingent on the Indian Ocean staging post on Gan. There would be reductions in Hongkong and Cyprus, withdrawal from Malta and a reduction in the reinforcement potential for Nato's flanks—particularly the southern. There were also manpower cuts for all three services, particularly the Army—although about half of these had later to be restored after a restructuring operation in the British Army of the Rhine caused more problems than ever.

From more than 4,600,000 in June, 1945, the forces had shrunk to a size of only 333,000 at the start of this year—less than the strength of the Royal Navy alone, the smallest of the services at the end of the war. Since 1957, before Duncan Sandys's famous White Paper, the Navy had seen its fleet reduced by two-thirds and the

Army's manpower had been halved by the ending of conscription. As for the RAF, it still blamed Mr Sandys for the parlous state of Britain's air defences.

The success of Government in placing defence spending as an even keel by means of a "review" has been short lived. A succession of short-term cuts in planned spending followed the 1974-75 review. Last year the Cabinet ordered a £200m reduction in the budget in spite of its philosophical commitment to a strong defence policy—and only so-called kamikaze action by Mr Pym, the then Defence Secretary, prevented the cut from being deeper.

But one sacred cow has emerged unscathed from the past 20 years. That is the nuclear deterrent.

During 1970-74, the Heath Government decided on a £1,000m improvement to the Polaris warhead. Codenamed Chevaline, the programme was continued by the 1974-79 Labour administration, and was not fully disclosed until early 1980—perhaps because many experts regarded it as a waste of money.

Now the present Government has opted for the Trident missile system to succeed Polaris in the 1990s. Once more a decision on the deterrent has become sacrosanct. But would a new more left-wing Labour administration elected in 1984 regard it so?

Budget/David Blake

£4.50 a week from every one of us

The defence of Britain is a big and costly business. This year the Government is expected to pay out £12,274m on the defence budget, making it the largest programme after social security, health, housing and child pay £4.50 a week for the upkeep of our defensive system.

The cost is growing. Defence has been one of the few growth areas in public spending over the past five years. Total public spending this year is expected to be about £104,000m. After allowing for inflation, it is about £25,000m less than total spending in 1975-76. But defence spending this year will be about £4,000m more than it was in 1975-76, even after the effects of price rises are removed.

Not merely big money is involved. There are lots of jobs too. The armed forces employ 322,000 people directly and another 246,000 in various civilian occupations such as naval dockyards.

The jobs do not stop there. No one knows just how many jobs in the private sector depend on the £5,500m which will be spent on buying goods this year.

Anything which accounts for such a big chunk of spending, (about an eighth of the total) might be expected to be high on the target list for a Government committed to spending less. But in fact, the Government is committed to simply to avoiding cuts in defence spending; it has promised to let it grow in real terms by 3 per cent a year.

The battles which have riven Whitehall over the past 18 months have not been about what it means and whether the Defence Ministry ought to be ruled by the same sort of cash controls which have been applied to other public spending.

The battle is symbolised by the terse phrases of this year's public spending White Paper, published on Budget Day. Alone of all the major spending programmes, defence, gives no details of its activities in the general public spending White Paper. It receives two pages, saving all the important information for its own separate publication.

But the public spending document does give totals and it does draw attention to the key fact of defence spending last year, that on the best estimates available it was £130m more than it was supposed to be, even if the effects of inflation are removed.

In the Treasury's terms, the cuts, made last autumn, were

too little too late. Instead of growing by about 3 per cent in 1980-81, the volume of spending went up 5 per cent over the previous year, at least according to the Government.

But it is doubtful about what those definitions actually mean which was at the heart of the other major dispute between Treasury and Defence Department. For under a system introduced under the Labour government and given greater importance under the Conservatives, public spending plans are no longer done solely in the "funny money" of survey prices, which try to convert everything into some standardised system of volume.

Planning is done in cash as well, which is finer of the case amount available for each programme. That system has been systematically broken in the defence estimates.

About half of all defence spending was excluded from the system in any case. Faced with a pledge to honour the system of Armed Services Pay Reviews, the Government exempted service pay from the normal cash limit system last year. They waited until the settlement was known and then provided an extra £500m to finance it.

But even with this sizeable start, the cash limit system proved a tight for the Armed Forces. Although it is theoretically invariable, the defence cash limit was raised by £205m during the course of the year because it would otherwise have been exceeded.

The villain of that particular piece is inflation, but in a special way. The price of defence goods rose much more sharply than other products last year. So the cash limit which was meant to provide for, say, 100 tanks turned out to be only enough to pay for 90.

That issue, more than any other, brought down the Treasury's wrath because it threatened all the other spending departments.

Whatever the merits of the battle, there is no doubt that Mr Francis Pym emerged with a compromise closer to what he wanted than to the Treasury's demands. But having won the battle, defence has now probably lost the war.

For the whole system of planning public spending has now been switched so that decisions are made long in advance in cash terms. Spending departments will have a limited amount of money and will have to get as much as they can for it.

The effect of that will be particularly severe on the defence Ministry. It will mean that conflicts between its individual programmes can no longer be eased by overspending its total budget.

That change alone means that as defence adapts to the new system, any set of plans which does not leave up to a considerable margin of safety risks forcing recurrent cuts exercises over the years ahead.

Commitments/David Spiller

Where duty takes the British serviceman

The days when British influence was reflected in large parts of the world map being marked in red have long since passed. The very phrase "Commonwealth" has become an anachronism. In the modern world, British foreign policy works through influence and persuasion, and every effort has been made to reduce the numbers of troops around the globe.

The result is that apart from Nato, which is of course the fundamental alliance which guarantees Britain's security, there are very few British soldiers abroad, even in those areas which can still be marked in red.

Nato is a defensive alliance but curiously enough it does not commit Britain to assign forces to it. That comes under the Western European Union (WEU), which is the custodian of the balance of European forces.

The WEU treaty was a key part of a highly sensitive political compromise of the post-war period, which permitted the rearming of West Germany and its entry into Nato. Of the seven signatories of the modified Brussels Treaty of 1954 (Belgium, France, West Germany, Italy, Luxembourg, Netherlands and the United Kingdom), only Britain accepted an obligation to maintain forces on the mainland of Europe.

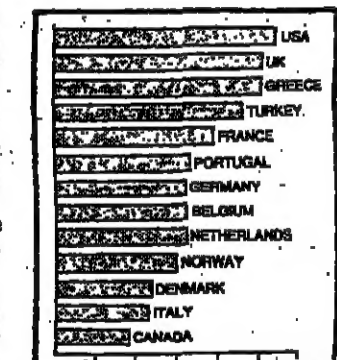
The total at the time was 7,000 men. Then in February 1957 Britain sought to reduce the level of its forces in Europe as part of the cost saving associated with the running down of national service. It was agreed that the total was to be reduced to 63,500. Again in December 1957, Britain proposed a further reduction, and the WEU Council agreed to a further 8,500 men being withdrawn.

This was expressed as representing "four divisions and the Second Tactical Airforce, such other forces as the Supreme Allied Commander, Europe, regarded as having equivalent fighting capacity".

The present level of BAOR forces is about 57,000, although 1987 Britain would be expected to be nominally attributed to BAOR. The establishment of RAF Germany stands at 11,000 men.

The latest report to the Assembly of WEU by the Committee on Defence Questions and Armaments gives Britain the thumbs up on its military contributions. Noting that the units in Northern Ireland would be speedily returned to their duty stations in an emergency affecting Nato, the Committee concluded that the average number of British forces stationed in Germany was probably about 500 men short, not important in itself.

Elsewhere around the globe,



1980 Defence expenditure as a percentage of gross domestic product. The true cost of defence in other European countries is understated because they rely on low-paid conscript armies.

British forces are few and far between, and the opportunity for making significant savings in manpower correspondingly small. British troops are stationed in the Falkland Islands, Belize, Gibraltar, Brunei, Hongkong, the sovereign bases in Cyprus and Diego Garcia.

In dependent territories, Britain has a commitment to maintain their defence. Clearly, the contingent of 40 marines in the Falklands, however gallant, is not stationed there to repulse an Argentinian invasion. It is more an earnest of Britain's sense of obligation, though the marines are useful in dealing with a minor emergency, such as say a buccannering aircraft landing on the islands to assert Argentinian claims.

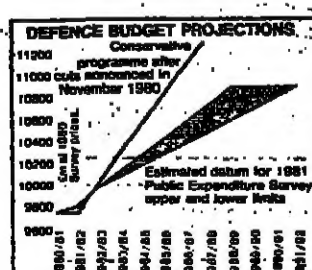
In Diego Garcia, which Mauritius has ceded to Britain for use as a base, there is a detachment of 25 naval personnel. The United States runs the airbase.

Belize is a different story. There are about 1,600 men all told in the garrison, plus four RAF Harriers, with the specific purpose of deterring an attack by Guatemala. This has been, in the past, a serious threat. But with the recent agreement under which Guatemala accepted giving up its territorial claims in return for various other benefits, there is now a very good prospect of Belize proceeding to independence in an orderly way this year.

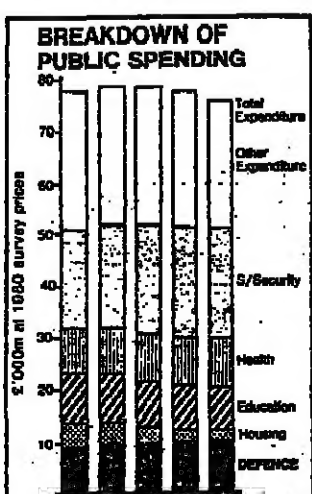
In that case, the British military back-up would naturally come to an end, though not perhaps straight away. The additional cost of having forces in Belize is put at £3.5m out of a total of about £25m a year.

Rather than specifying a particular level of forces or equipment, Britain's allies are being asked to do their duty as allies. On the nuclear issue, it would appear that considerable satisfaction has been felt in Bonn, and also Washington, that France is not the only nuclear power in Europe. The West German went on of their way to welcome the Trident decision.

The way the cake is cut — who gets what and how much it costs



The cuts agreed by the Cabinet today will fall somewhere inside the shaded area on the graph. The closer the spending path of the Government's new look defence programme corresponds to the lower line, the greater the chance of avoiding another defence review in the 1980s.



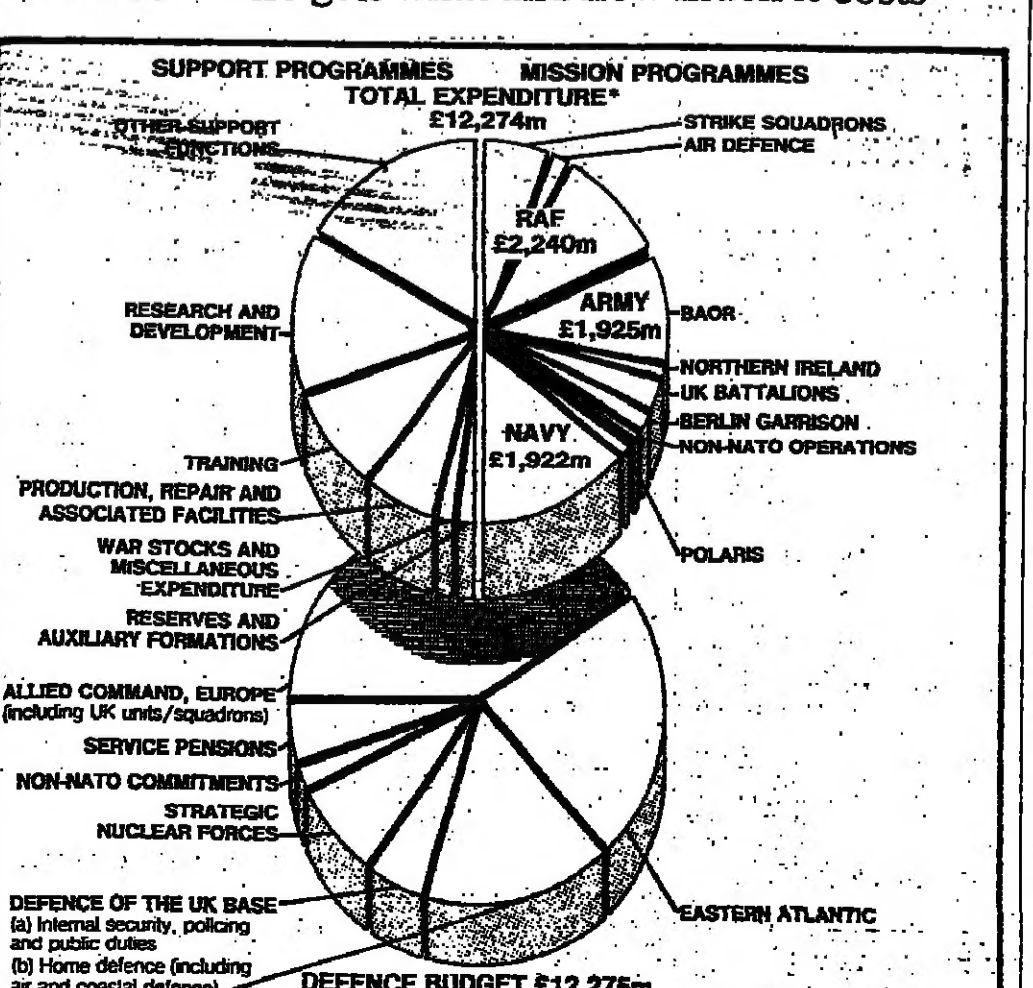
The 1981-2 defence budget stands at £12,274m. An analysis shows that the largest single slice, £2,240m (18.2 per cent) goes to the RAF, more than to the Army, and £552m to the strike squadrons as their new Tornados £1.4m aircraft comes into service.

The Army takes 15.7 per cent, £1,902m of that going to keep the British Rhine (BAOR) and £552m being for forces in Britain, including Northern Ireland.

The Royal Navy swallows 13.6 per cent of the £12,274m, the biggest portion going to help the surface fleet of frigates and destroyers keep aloft. The country's strategic deterrent force of four Polaris submarines is absorbing only £269m, a modest 2.2 per cent of the budget—although five years ago the percentage was still smaller at 1.3.

Procurement of the Trident missile system to replace Polaris will take only 3 per cent on average between 1980 and 1995.

An unofficial but well respected analysis by Professor David Greenwood, the defence economist, of Aberdeen University, shows that if the whole budget is divided between commitments, some 23 per cent is now being spent on helping Nato defend the Eastern Atlantic, 41 per cent on the Army and RAF forces dedicated to Allied Command Europe and 22 per cent on protecting the United Kingdom. According to this analysis some seven per cent is spent in respect of the deterrent.



Reagan patches up quarrel with the Speaker

From David Cross, Washington, June 17

President Reagan decided today that his honeymoon with Congress must not be spoiled by a single, careless off-the-cuff remark about Mr Thomas O'Neill, the Democratic speaker of the House of Representatives. During yesterday's presidential press conference here—his first since the attempt on his life at the end of March—Mr Reagan accused Mr O'Neill of indulging in sheer demagoguery when he suggested that the Administration's three-year tax programme would benefit the rich more than the poor.

Responding to questions from Mr O'Neill that the President's honeymoon with Congress appeared to be over, Mr Reagan said: "We may disagree during the day but come 6 pm we become friends."

During his press conference the President also made it clear that he was stepping up pressure on Democrats in the lower house to approve the tax reductions and other parts of his economic programme, including big spending cuts. The Democrats, who have a majority in the House, are beginning to muster opposition to the budget cuts in particular.

In his initial response to Mr Reagan's comments the Speaker issued a statement in which he reiterated his original claim that the Administration's economic programme consisted of a rich man's tax cut while the budget cuts fell squarely on the shoulders of the working poor. For good measure, he added that the White House had been acting in a dictatorial way in its recent treatment of Congress.

Mr O'Neill said he would never accuse the President, whoever he was, of being a demagogue because he had too much respect for the institution of the presidency. "I assume that in the future he would have the same feeling for the speakership."

As is often the case with presidential press conferences, Mr Reagan touched on many themes during his 35-minute meeting. He handled all questions in his usual adroit and friendly manner, thereby showing the world through the medium of television that he was now fully recovered from his bullet wounds.

He had nothing new to say, except on his economic programme. He dispensed Moscow again with an attack on the Soviet system. Communism was a sad, bizarre chapter in human history and recent events there and in Poland showed that the Soviet philosophy was an aberration. It was not a normal way of living for human beings.

Responding to questions on the recent attack by the Israelis on an Iraqi nuclear reactor, he said he had considerable sympathy for the raid and that Israel had every right to be concerned in view of the past history of Iraq, which had never signed a ceasefire or recognized Israel as a nation.

The President's handling of the press conference represented a change from previous practice. During the Carter administration there was a free-for-all, in which the top reporters from television and the newspapers waved and shouted to attract the President's attention.

Shortly after he took office Mr Reagan tried to change the system by drawing the names of questioners from a jar for fairly beats (his favourite sweets). This was unpopular, because many of the best-known television reporters were unable to ask questions and it was impossible to follow up questions.

The new system worked well. Questioning was conducted in an orderly manner and the President made sure that reporters sitting near the back of the room were also given a chance.

The President looked relaxed throughout the press conference and gave a cheery wave at the end to the crowd of reporters and cameramen who were crammed into the small, sweltering room where the conference was held.

Asked how he felt after the assassination attempt, he replied: "I have recovered. I feel fine. If I'm a medical miracle, I'm a happy one."

Big missile debate by German Protestants

From Patricia Clough, Bonn, June 17

The biggest and probably the most critical debate about nuclear missiles has opened in Hamburg at the biennial congress of the West German Protestant Church.

For four days 118,000 people, many of them young and many of pacifist views, will take part in this religious gathering which, under the motto: "Be not afraid," is devoted partly to the subject of peace. The 1,200 items include services, Bible meetings, discussions, entertainments and debates about defence, disarmament, missiles and the fear that Germany may become the scene of a nuclear holocaust.

Sixty-five Protestant pacifist groups have coined the counter-motto: "Be ye afraid of nuclear death threatens us all", and called a demonstration for Saturday. They hope it will be the biggest since the anti-nuclear protests of the 1950s, with about 50,000 people expected to take part.

So seriously is the congress being taken in Bonn, that Herr Helmut Schmidt, the Chancellor, who was not originally invited, has arranged to defend his policies in a televised question-and-answer session in a Hamburg church tomorrow night and again in a discussion on Friday.

Christians, mostly Protestants but a number of Roman Catholics as well, make up one of the most active groups in the rapidly growing West German pacifist movement.

War of words over arms control Moscow's credibility problem

From Michael Biagon, Moscow, June 17

Over the past week the Russians have been doing their best to impress on a large number of influential Western statesmen that Moscow is serious about arms control and eager to start talks without delay.

As Nato presses ahead with plans to deploy new American missiles in Western Europe, the Russians are becoming increasingly anxious to head off what they regard as an exceptionally dangerous threat to their security.

But the shadow of Poland now looms large. Not only have Western governments made it clear that any Soviet intervention would scuttle the prospect for talks, but Western lobbyists of strategic arms limitation have admitted that public opinion in Europe and America would become deaf to the need for a dialogue with the Russians.

Moscow appears therefore to be in a dilemma. On the one hand, the Kremlin wants to show, especially to the Europeans, that the Soviet Union is ready to go to the negotiating table without any preconditions. On the other hand, it seems already to be anticipating failure—perhaps because of decisions already taken here over Poland—by refusing to recognize the West's declared readiness to talk as genuine.

The Soviet press has called the recent Nato offer a smoke-screen to conceal the alliance's rearmament plans. President Brezhnev said last week that Americans had taken no real steps to get talks going. And Mr Andrei Gromyko, the Soviet Foreign Minister, told Mr Charles-Ferdinand Nothomb, his Belgian counterpart, earlier this week that in spite of Polish

talk in "some capitals" about arms talks, no one had lifted a finger there to get the talks going.

Mr Gromyko said his country was ready for honest talks based on equal security and reciprocal interests. He told Mr Nothomb that Mr Brezhnev's proposal for a moratorium on the deployment of medium-range missiles in Europe was intended to create favourable conditions for such talks.

The Soviet leadership knows, however, that such a moratorium, which the West says would leave the Russians with a big nuclear advantage, is unacceptable to Nato.

This point was made again privately by the Foreign Secretary, a group of experienced politicians, including Mr Cyrus Vance, the former American Secretary of State, and Dr David Owen, the former Foreign Secretary, who met here last weekend to reaffirm their faith in arms control.

The Russians treated this independent body with respect. President Brezhnev saw Mr Olaf Palme, the Commission's chairman, and Mr Gromyko saw Mr Vance and Dr Owen. Soviet military experts briefed the commission on the SS20 programme and went into details.

The Russians wanted to show that the Soviet position coincided with the views of "sober-minded" Western statesmen. They also hoped that these views would carry weight in Washington precisely because the commission members are not identified with left-wing, unilateral disarmers.

There was an attempt to fudge the moratorium issue. Mr Georgy Arbatov, the head of

Saharan rivals come to blows at the OAU

From Michael Knappe, Nairobi, June 17

Diplomatic activities at the foreign ministers' meeting of the Organization of African Unity (OAU) were enlivened here today when a fight broke out between two Moroccan government officials and a representative of the Polisario Front insurgent organization in the lobby of the Kenyatta Conference Centre.

Delegates and observers scattered as the three men exchanged blows before being seized and led away by Kenyan security officials. They were released half an hour later.

The incident illustrated the level of tension between the two sides in the struggle for control of the disputed western Sahara. The Polisario Front, backed by Algeria and Libya, is attempting to wrest the territory from the control of Morocco which took over the administration when Spain withdrew in 1975.

The OAU is deeply divided over the issue.

The Polisario official was apparently distributing leaflets attacking King Hassan of Morocco when the fight broke out. The Moroccan diplomats were identified as Mr Hassan Agouri, Chief of Cabinet in the Ministry of Foreign Affairs, and Mr Yassir Amraoui, an aide in the Ministry of Cooperation.

The leaflets accused King Hassan of being a colonialist. The more formal proceedings of the day included the presentation to the council of ministers of the report of the organization's liberation committee. This contained a scathing attack on the diplomatic activities of the Western contact group on Namibia (South-West Africa).

The United States, Britain



King Hassan II. Attacked in Polisario leaflet.

and France were strongly condemned for what was described as their collusion with South Africa. The document rejected what it described as the "sinister schemes by certain members of the so-called Western contact group" which it said were "aimed at forcing the international community to abandon the agreed plan for the independence of Namibia contained in the United Nations Security Council resolution 435".

The committee's report, which gained the unanimous approval of the council of ministers, expressed profound dismay at what it regarded as the demonstrated unwillingness of the contact group to carry on with implementing the United Nations plan and denounced what it called the "emerging unholy alliance between Pretoria and Washington".

Lord Carrington outlines Britain's EEC objectives

By Hugh Noyes, Parliamentary Correspondent, Westminster

In a defence yesterday of the EEC and of Britain's role in its affairs, Lord Carrington, the Foreign Secretary, will have left our partners in no doubt that they must expect an active six months during his presidency of the Council of Ministers, starting on July 1.

Outlining what he hopes to achieve, Lord Carrington denounced Labour Party leaders and in particular Mr Denis Healey, Opposition spokesman on foreign affairs, for turning their backs on policies pursued when in office and for proposing to withdraw from the Community.

He would have thought that after the referendum, even Mr Wedgwood Benn would have accepted that the decision of the British people was for membership.

Speaking during a debate in the House of Lords on the advantages of EEC membership, Lord Carrington said he was saddened to see that Mr Healey had been the last to attempt this feat of logical contortionism. "He should know better and of course, he does know better."

Mr Healey was merely subscribing to the myth that the Community undermined the sovereignty of the British Parliament when he spoke of restoring the sovereignty of Britain from control by the EEC, Lord Carrington said.

After asserting that the government remained firmly committed to making a success of membership and outlining the advantages to this country,

Lord Carrington accepted that not all criticisms were misdirected. Setting out some of the areas where changes were urgently needed, the Foreign Secretary told the House that the first on his list was the common agricultural policy.

It was clearly wrong, he said, to spend two-thirds of the Community budget on agriculture to produce wasteful surpluses. The Government wanted to see this problem tackled during the discussions on the restructuring of the Community budget.

Lord Carrington also made clear that during the British presidency he would be applying much pressure to achieve a permanent solution to the intolerable situation for this country whereby West Germany and Britain financed the budget while richer countries than ourselves were major net beneficiaries. A successful conclusion must be brought about this year, which would be fair to all member states, he said.

New Community policies would have to be considered to shift resources into other areas such as regional and industrial development and to restrain workers to meet the changing pattern of industry.

Other areas in which he wanted to see progress during the next six months were on the common fisheries policy, the freer provision of services, such as insurance, greater liberalization of air fares and further easing of the barriers to free movement and employment within the Community.

Strasbourg prepares for a British presidency

From David Wood, Strasbourg, June 17

European MPs are using this week's plenary session in Strasbourg to prepare for Britain's presidency of the Council of Ministers which starts on July 1.

Most of the main reports and debates are connected with Mrs Thatcher's campaign for permanent budgetary arrangements.

Mr Douglas Hurd, Minister of State at the Foreign Office, was welcomed today to start picking up the threads of policy and strategy that will be left behind by the Netherlands on June 30. He will return to London to report that European parliamentary opinion is turning in Britain's favour and that Lord Carrington's first appearance in Strasbourg raises high expectations.

Today two reports from influential parliamentary committees on the budgetary issues raised by Mrs Thatcher had a good reception, not least from M Gaston Thorn, President of the Commission, and two of his Commissioners.

Earlier, the Parliament carried by a large majority than expected a report proposing reforms of the Common Agricultural Policy (CAP), presented by Sir Henry Plumb, former president of the National Farmers' Union.

A year ago the commission was told by the Council of Ministers to find a permanent

answer to Mrs Thatcher's questions about the budgetary Justice for Britain. [The agreement the Prime Minister secured last year over Britain's contributions ends in 1982.]

Members of the Commission leave no doubt about their strategy. First, like most MEPs, they want to keep the CAP as the centrepiece of Community policy, but to cut its cost to allow for new policies. In the short term, Commission and Parliament have no other option, because the British and West German governments refuse to consider increasing the level of VAT to give the Community a larger income.

Secondly, again like most MEPs, members of the Commission want more resources for the EEC. If they cannot get more than one per cent of VAT, then they want eventually to have a new source of revenue. A slice of national income tax or company tax?

There is another important point as the parliamentary speeches made clear. No new financial mechanism to satisfy Mrs Thatcher's demands can be limited to one country or one special case. With the entry of Greece to the Community and Portugal and Spain standing impatiently in the wings, it is not only the British Government that wants to be reassured that there will be a just budget settlement.

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Appeals fail to halt Israeli election violence

From Christopher Walker, Jerusalem, June 17

Increased police activity and repeated appeals for restraint from the leaders of the main Israeli political parties have so far failed to prevent the most violent election campaign in recent years.

Among the latest incidents was the burning of a car belonging to a Labour Party candidate in Jerusalem and the daubing of the remains with the word "Traitor". This was an apparent reference to recent opposition criticism of the Israeli raid on the Iraqi nuclear reactor.

On a communal farm in the south of Israel, two youths threatened a woman of 72 who had appeared in a television advertisement on behalf of the Labour Party. She called her not to take part in any further such advertising and smashed windows in her home.

Earlier, the Labour Party election offices in Givat Shmuel were burnt out in the middle of the night. In the port city of Haifa, the Labour Party headquarters had to be evacuated after a bomb warning given by telephone.

Although most of the attacks continue to be against the Labour Party, Mr. David Shilansky, a prominent supporter of the ruling right-wing Likud coalition, last night spoke at an election rally protected by a special police guard after receiving a death threat.

Today, the Likud announced that it had hired a team of private detectives whose job would be to provide evidence to support its claim that there was a wave of anti-Labour violence being organized by agents provocateurs.

In a series of hard-hitting advertisements, opposition is trying to make electoral capital out of the recent unruly disruptions of its meetings. Two photographs show ugly

scenes of government supporters on the rampage, while the caption reads: "This time, you really have to choose between Beginism and enlightened government".

Commenting on the campaign, Mr. Moshe Dayan, the leader of the unaffiliated Telem Party, castigated the extreme language used on the hustings by both Mr. Menachem Begin, the Prime Minister, and his Labour opponents. "As well as contributing to the vulgarization of the people, it infects the election campaign," Mr. Dayan said.

The police mounting a nationwide operation to restore order in the closing two weeks of the campaign have discovered that many of the worst incidents have been planned. They lay the blame on what they term "low-level party operatives".

Confirmation of the widespread belief among political commentators that the Israeli raid will have boosted Mr. Begin's reelection chances came in the first poll conducted since the Omer reactor was destroyed.

Published by the Hebrew newspaper, *Ma'ariv* today's poll showed the Likud coalition with 38 per cent of the votes, compared with 36 per cent in the same poll last month. The Labour Party remained unchanged in second place with 33 per cent.

Part of the success of the Government's campaign has been attributed to its expansionist settlement policy in the occupied territories. Today, it was announced that 800 new housing units would be built inside the settlements already existing in the West Bank. The move will eventually increase the number of Jews living there by 3,000.

Pressure on Mitterrand to soften condemnation

From Our Own Correspondent, Paris, June 17

President Mitterrand is believed to have come under pressure from Jerusalem to tone down or qualify the terms of the French Government's strong condemnation of the Israeli raid on the Iraqi nuclear reactor.

The condemnation, issued by M. Pierre Mauroy, the Prime Minister, and M. Claude Cheysson, the Minister for External Affairs, early last week, was reiterated on Monday by M. Jacques Louvet, the French permanent representative at the Security Council.

It has caused sharp disappointment both in the Jewish community in France and in Israel especially the demand for reparations.

The *Renouveau Juif*, the organization of French Jews which had called for a vote against President Giscard d'Estaing in the presidential elections, emphasized in a statement yesterday that it could not remain silent in the face of the Government's diplomatic initiative at the Security Council.

"Such an initiative runs the risk of being interpreted as providing a surety for the acknowledged responsibilities of the previous government," the statement said. It is necessary to recall that the Israeli nuclear contract was never submitted

to Parliament for ratification. This justifies all the fears arising from it," the *Renouveau Juif* demanded "another policy for France in the Middle East."

Its demand is unlikely to be satisfied, although the *Renouveau Juif* professes to ignore it. French policy in the Middle East has undergone a difference of style and of tone, but not of substance.

President Mitterrand has publicly acknowledged, most recently last Saturday when he received King Khalid of Saudi Arabia, the claims of the Palestinians to a homeland, even to a state, while insisting on the need for a permanent friendship with Israel, and its right to security within safe, recognized and guaranteed frontiers.

The Israeli ambassador was "asked" and not "summoned" to the Quai d'Orsay to explain the raid. The President, by contrast with his predecessor, has always clearly approved the Camp David agreements.

He cannot, however, afford to antagonize the Arab states, for obvious reasons of economic common sense, any more than he can respond to the demand of the Israeli Government, believed to have been put forward through diplomatic channels, that the 1975 nuclear agreement with Iraq should simply be cancelled.

£736,000 FOR HIJACK VICTIMS

Tel Aviv, June 17. — Air France has agreed to pay £736,000 to Israeli survivors and the heirs of the four people killed in the 1976 hijacking of an airliner to Uganda, Israeli army radio said today.

The agreement covers claims of 67 former hostages and heirs of the four civilians who died when the plane was hijacked and stormed the Entebbe airport in a rescue operation.

The settlement was reached on May 14, according to the Jerusalem Post newspaper, after five years of litigation, in which the former hostages said tighter Air France security could have prevented the hijacking. —AP.

Teenage delinquents are people too

Who can a teenager turn to if his parents seem to turn away? What does a teenager do if no-one cares what he does? There is no work, no money, nothing to do but drift in the streets. It is so easy to turn to crime when you're young, confused, lonely and frustrated.

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Sino-American Ascot

Police are accused over action in Soweto

From Ray Kennedy, Johannesburg, June 17

Coloured (mixed race) and black leaders today accused the police of being excessively brutal and stupid in their handling of protest demonstrations by coloured students and the tear gas attack yesterday in Soweto on people leaving a church service.

Mr. M. Mathabathe, a member of the Soweto Committee of Action group, said police action was making black people angrier. "They cannot tolerate it any further."

The services yesterday, to commemorate the fifth anniversary of the unrest, had been peaceful and would have ended so if the police had not acted stupidly, he said.

In Pretoria, Coloured leaders handed Mr. Louis Le Grange, Minister of Police, a memorandum detailing various instances of police brutality.

The memorandum singled out the actions of Brigadier Theuns Swanepoel, leader of the anti-riot unit.

The image of the police as a force to maintain law and order and to assist the community was disappearing as a result of brutal and heartless action and Coloured people felt the police had declared war on them, the memorandum said.

The boycott of classes by thousands of coloured students continued today, but a planned demonstration outside the Newlands police station, where 59 students arrested two weeks ago appeared on remand, was called off.

A parent said: "It would have been madness to stage the demonstration." Riot police surrounded the building and kept watch on the crowd.

Thousands of workers from Soweto went back to work today, many of them in buses which had their windows smashed by stone-throwing gangs after the tear gas attack at the church.

Descriptions of the attack vary. An Afrikaans newspaper, *Beeld*, reported today: "The black people were allowed by the police to emerge from the church building in groups. They were driving back with tear smoke every so often to prevent them forming large groups."

The report said trouble broke out after a horde of foreign cameramen and television teams approached the building and wanted the black power salute and wanted the police.

A police official said the police acted after youths stoned vehicles but did not explain why they fired tear gas at the crowd leaving the church. "I am not a strategist," the official said.

Reporters of the English-language Johannesburg *Star* said the police launched the attack after a group of about 50 people emerged from the church with hands raised and shouting "Peace".

One spokesman said the police were driving back with tear smoke every so often to prevent them forming large groups.

Mr. Khehla Mchombu, president of the Azanian People's Organisation, said that despite the events yesterday further commemorative services would be held this weekend.

Mr. Fonda, the actress, and her husband, Mr. Tom Hayden, were refused entry into South Africa when they arrived here last night, have made another application to be admitted.

But the only South African soil they are likely to touch will be the floor of the transit lounge at Jan Smuts airport where they spent Tuesday night, when they arrived from Maseru, capital of Lesotho, en route to Zimbabwe.

The American political activists were invited by the students' representative council at Johannesburg's Witwatersrand University to deliver a freedom lecture but were refused visas because of the

1,000 car workers are arrested in Argentina

From Our Correspondent, Buenos Aires, June 17

More than 1,000 car workers were arrested by police today after a strike was called by the mechanics' union to protest against the closing of car plants and against rising unemployment.

Police used armoured cars, patrol cars and buses to transport the workers to the police department.

The also took cameras and exposed the films of photographers from *La Semana* news magazine and *Cronica*, a mass circulation daily, and stopped a television cameraman from the newspaper owners' association, which called it a "brutish reaction" and an "attack on free expression".

The English-language daily, *Buenos Aires Herald*, said in a leading article today: "The justification given for this measure, that *La Prensa*'s criticisms are destructive, unlike those of some other newspapers, does not stand up to even the most cursory scrutiny. Even if *La Prensa* were determined to undermine the 'process' it would be fully entitled to do so, because it is a matter of opinion whether this particular exercise in government is beneficial to the country or not."

Yesterday police arrested Señor José Rodríguez, the union's secretary general, and two leaders from the San Martín district branch. They were released late last night.

The arrests appeared to signal a crackdown by the military Government of President Roberto Viola on criticism of its economic policies. They followed the withdrawal on Monday by the Government of advertising from the conservative *La Prensa* newspaper, for what Señor Alberto Ortiz, the

Dissidents' trial postponed

From Dossa Trevisan, Warsaw, June 17

A trial of four Polish dissidents charged with anti-state activities has been postponed and will again be adjourned a week before the Polish Communist Party Congress is due to begin on July 14.

The Polish leadership appears anxious to maintain calm in the days leading up to the crucial congress. However, a fresh incident of the defiance of a Soviet Second World War memorial was reported today.

Members of the free trade union movement, *Solidarity*, worked into the night yesterday to clean white paint from the monument in Zyrardow.

It took five minutes for the court to postpone the dissidents' trial to July 2. An objection that documents had not been made available in time to prepare the case was upheld. A second objection that the indictment should be made more precise was rejected.

With the party congress less than a month away, seven out of 14 full and candidate members of the ruling Politburo have been elected by democratic secret ballot as delegates.

Lines get crossed at Unesco

From Ian Murray, Paris, June 17

The work of the Unesco conference on communications development started today after hours of wrangling over rules of procedure. What was at stake was whether or not decisions should be taken by consensus or by vote.

Two of the six days allotted for this first session of the 35-nation intergovernmental council of the International Programme for the Development of Communication (IPDC) have already been spent in choosing a chairman. This morning and much of this afternoon were spent resolving the consensus question.

The original rules of procedure prepared for the meeting said that decisions "shall be taken by a majority of the members present and voting". The Western nations, however, were concerned that this would mean that they would inevitably be swayed by the Third World countries in any vote.

A "consensus on consensus" was eventually reached, in effect, by splitting the matter into two separate sub-clauses, the first saying that decisions would be taken by a majority and the second saying that in the deliberations of the council priority should be given to the seeking of a consensus.

The first contribution to the debate on communication needs and development came from Mr. Arthur C. Clarke, the British science writer, and chancellor of the University of Marburg, representing Sri Lanka. He gave warning that unless there was a significant investment in space technology millions of people would be doomed to die.

He said the day was not far off when small electronic books containing whole libraries could be available to everyone.

Rosemary Righter, page 14

Jane Fonda renews plea to enter South Africa

From Our Own Correspondent, Johannesburg, June 17

Jane Fonda, the actress, and her husband, Mr. Tom Hayden, were refused entry into South Africa when they arrived here last night, have made another application to be admitted.

But the only South African soil they are likely to touch will be the floor of the transit lounge at Jan Smuts airport where they spent Tuesday night, when they arrived from Maseru, capital of Lesotho, en route to Zimbabwe.

The American political activists were invited by the students' representative council at Johannesburg's Witwatersrand University to deliver a freedom lecture but were refused visas because of the

"tense situation" in the country.

Their arrival yesterday, with their children, Vanessa, aged 12, and Troy, aged seven, coincided with commemorations — accompanied by clouds of police tear gas — by blacks of the Soweto riots five years ago.

The family asked to be allowed to stay at an airport hotel but this was refused and they spent the night in the transit lounge. Over a telephone, Ms Fonda complained to reporters: "I have never been through anything like this in my life before. We are effectively being detained. We are in a prison."



Mrs. Nancy Reagan and Prince Charles on the Hudson River in New York yesterday.

Greece breaks off talks with US on military bases

From Mario Modiano, Athens, June 17

The Greek Government tonight broke off negotiations with the Americans on the future of the United States military bases in Greece in the hope that an uncompromising stand would best serve it politically in an election year.

The Government may even now advance the date of the elections due in November to take advantage of its decision to resist an unpopular deal with the Americans.

The formal decision to suspend the talks which have lasted five months is to be announced after an inner cabinet meeting called for noon tomorrow. The decision was finalised today after successive meetings of Mr. Robert McCloskey, the American Ambassador, with Mr. Constantine Mitsotakis, the Foreign Minister, and Mr. Evangelos Averoff, the Minister of Defence.

The Greek Government had set successive deadlines for a final American reply to the Greek demands for a substantial cut in the number of American troops in Greece and for allowing the United States to continue to use four principal military

installations here — two near Athens and two in Crete.

The Government indicated tonight that even if the American offer was acceptable there would be no time for the ratification of the agreement by Parliament. The Greek Parliament will adjourn for the summer recess soon and will certainly be dissolved to open the way for elections.

The Opposition — Socialists have vowed to oust the bases, although in recent months their attitude has been softened by the prospect that this could deprive the Greek armed forces of a regular source of supply for war material.

A Greek demand for the supply of modern military equipment, including fighter aircraft and an airborne early warning system, lies at the root of tonight's breakdown.

Greeks more than willing to give them technological aid to develop a land-based early warning system, failed to satisfy the Greek military who wanted the expensive equipment in order to improve Greece's balance of power with Turkey.

Heatwave in Spain and Portugal

From Harry Debelius, Madrid, June 17

A record heat wave continued to scorch the Iberian peninsula today as reports grew of lost crops, forest fires and water shortages.

The death toll is difficult to determine. Hospitals in many parts of Spain and Portugal have admitted many people suffering from heat. A shepherd died in a forest fire in the southern Spanish province of Jaen last weekend.

Fires destroyed timberland in many other parts of Spain. A blaze which broke out last Sunday on the Portuguese border was still going today.

Last Wednesday an 18-year-old mountaineer died of heat exhaustion after climbing five miles in 40°C (104°F) heat to seek help for two companions who had been injured in a fall.

Temperatures in the first half of June broke records in most of Spain, where the averages were in many places the highest in a century for the period. Last Sunday's maximum of 38°C in Vigo was the highest registered there in 37 years.

Bomb attack on Nato site

Hamover, June 17. — A bomb explosion hit a half-finished Nato arms depot near Hamover today, causing damage estimated at £300,000 (£55,000), the police said.

The explosion occurred at the Nato building site at Wahrendahl, a hamlet 17 miles southwest of Hamover. The police said that it was caused by a "bomb-like object with a timing device" which apparently acted as a trigger.

Terrorists jailed

Turin, June 17. — A court convicted 62 accused members of the Red Brigades today on charges of belonging to an armed gang and inflicted the heaviest sentences on three women urban guerrillas. One of the women was sentenced to 17 and a half years in jail.

Earthquake toll

Tehran, June 17. — The earthquake in south-eastern Iran last Thursday killed 1,027 people, government officials said today.

Spanish divorce

Madrid, June 17. — Spaniards came a step closer to being able to obtain divorces for the first time in more than 40 years when the Senate passed a divorce Bill last night. The Bill must now return to Congress for final approval.

Spying charges

Berlin, June 17. — East Germany announced today the arrest of two West Germans on charges of spying for Bonn's intelligence service. The number of alleged western agents seized over the past two years to 22.

Missile debris

Bonn, June 17. — The tail section of an air-to-air missile, accidentally dropped from a West German fighter aircraft two days ago, was found today in eastern Bavaria. An Air Force spokesman said it was possible that the missile exploded in the air after leaving its mounting.

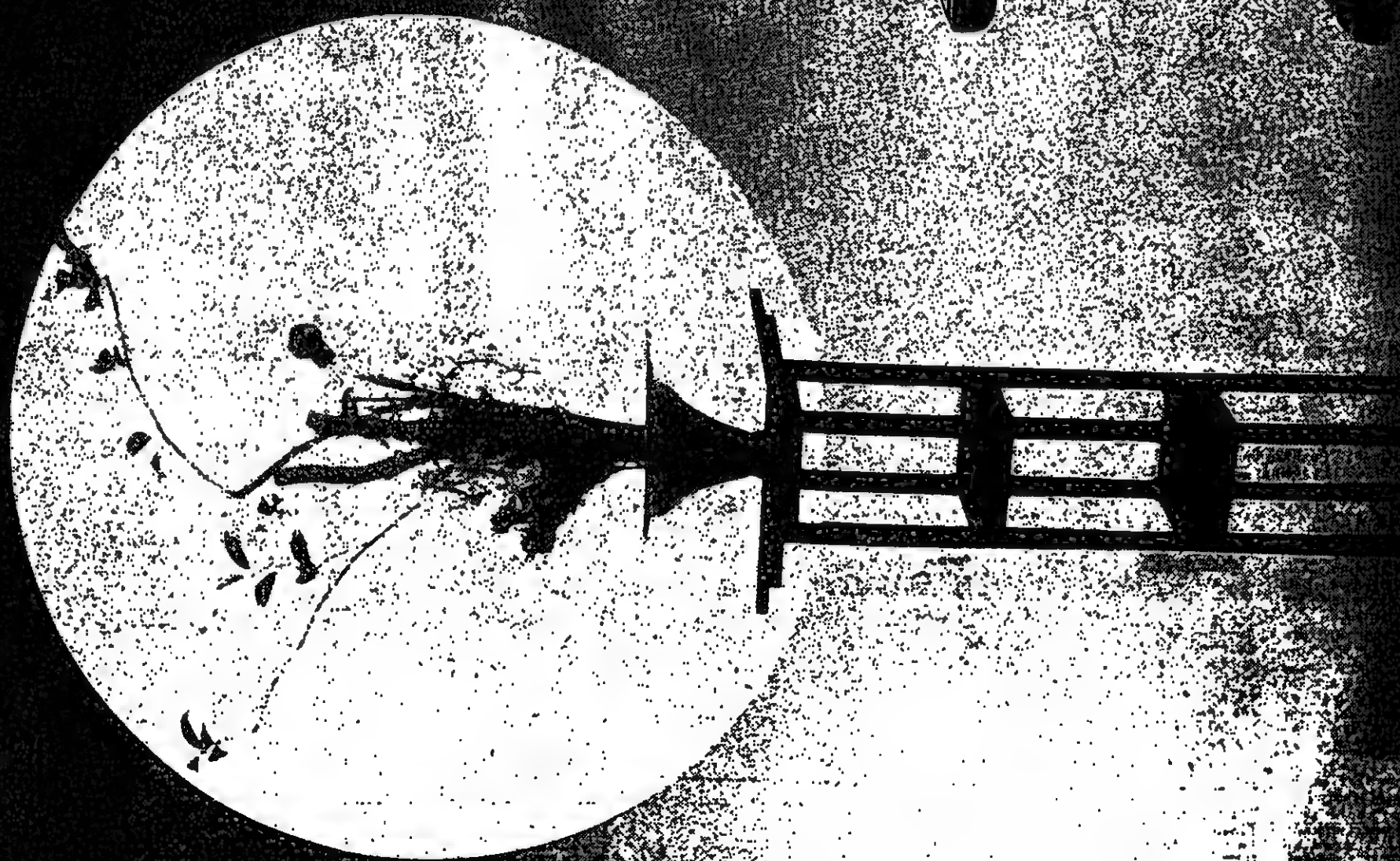
Bulgarian merger

Vienna, June 17. — Bulgaria announced today it had merged four ministries in a reshuffle apparently intended to streamline the executive. The National Assembly approved the Government of Mr. Grisha Filipov, who yesterday replaced Mr. Stanko Todorov as Prime Minister.

Woman aged 99 killed

Deansboro, New York, June 17. — Miss Eva Peck, a 99-year-old woman, was crushed to death today beneath the wheels of a car driven by a 39-year-old sister, sheriff's deputies said. She apparently stepped behind the car as it was backing — AP.

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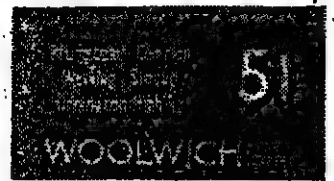
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Flat out on the buses

In these days of 6 per cent pay awards and 13 per cent inflation, no travel bargain is to be sniffed at, be it Laker to Miami, British Caledonian to Hongkong or a red double-decker to Romford.

With the recent introduction of 25p flat fares, farthest flung suburbia has at last been brought within reach of all but the most poverty-stricken of London's junior citizens (seniors, of course, have long been able to get there for nothing).

There is a complication, as you might expect of anything dreamed up by London Transport's non-bus travelling executives. You have to keep outside the no-go area of central London, where the low, flat fare abruptly gives way to high, un-



even fares, the absence of a rational dividing line still leading to frequent allegations between conductors and aggrieved passengers.

That means your journey must be circular rather than radial, and this alone could provide hours of anticipatory fun as the family pores over a bus map (free from LITE travel bureaux) working out a route that can be accomplished in the fewest possible hops from West Drayton to West Ham or Crystal Palace to Golders Green.

Once you set out you will discover places served only by bus of which most Londoners will be unaware: Cranford and Crayford, Yiewsley (Middlesex), though it sounds like Yorkshire, Brimsdown and Brockley Rise, Locks Bottom and Havering-atte-Bower, with its promise of mystery and jousting on the village green.

Admittedly one stretch of suburban London is very much



like any other stretch of suburban London, but today that applies equally to many of the world's big cities, and that doesn't deter people from foreign travel.

If you want a touch of the exotic, on the cheap, Britomart market on a Saturday exudes a richer ambience than the tourist-baited bazaars in Marrakech. And why wander in Calcutta, where a non-Bengali is as rare as a nine-pence note, when Southall Broadway will yield a crop of Sikhs and Tamils, Biharis, Singhalese, Rajpurs and even the occasional Baluch and Nepali?

After hours poring over my map I have worked out what must be London's biggest flat fare bargain: three buses from



Green Street Green in Kent (that can't be anywhere but in Kent, to be sure), to Barrow, on the very tip of northern Lancashire, chain stores and Postlethwaite villas suddenly give way to woodland, duck ponds and golf courses. A good 25 miles as the bus zigzags for a mere 75p.

The route: a 51 to Woolwich, a 64 to Croydon, a 152 to Mitcham, a 64 to Croydon, a 194 to West Wickham, ... I'll have a BR day return to Brighton.

Laurie Weston

Putting people right about Benn

Few political episodes in recent times have led to more misinterpretation or misrepresentation of the truth than the current Labour Party deputy leadership election. Though it may mean risking facts getting in the way of some widely-held opinions, some things clearly need to be said.

One is about the reason for the election. The Benn camp has insisted that it is all about consolidating the main policy positions of the last Labour Party Conference. Within the party's wider political leadership, against the background that Mr Denis Healey as the present deputy leader has in the past made clear his total rejection of these policies. The Healey camp said, first, that it's all about personalities rather than policies; then, in a statement, said that Healey had believed in the policies anyway.

Each person can judge for himself. But it is worth recalling the judgment of David Watt, anything but a Benn supporter, who wrote in *The Times* a fortnight ago that Healey was "a man who has believed in the policies anyway".

That was on June 5. It is true that on June 16 Mr Healey went

into print with a personal manifesto restating his allegiance to the main policy decisions of the last conference, and this might seem to outdate both Mr Watt's assessment and the rationale for having an election.

Or one might argue that it justified an election right up to the hilt since it is difficult to imagine Mr Healey making any such declaration except in the heat of a very tight election contest.

Be that as it may, on either count the Healey statement repays examination of the small print. First, his new-found commitment to "our alternative economic strategy for full employment" turns out to mean, in his own words uttered a day later, "demand management, sensible money policy and co-operation with the trade unions to keep wage increases in line with productivity".

It is a perversion of language to describe this as in any way what is meant by either the Labour Party or the TUC's alternative "economic" strategy, as any brief glance at either last year's party conference decisions or the TUC's recently issued pamphlet on this will reveal.

Second, Mr Healey has indicated he now supports "restoring the sovereignty of Britain from control by the Common Market" (whatever that exactly means), but that he still opposes withdrawal from the EEC. Yet the latter is what the party conference unambiguously decided.

Third, he has now said he favours "reducing the burden of defence spending" and "cancelling the Trident project". Let me be as plain as I can. Let me be as far as it goes. But what the conference decided on (and what Mr Foot has made clear he believes in) was a commitment to unilateral



by Michael Meacher

nuclear disarmament, and this Mr Healey has made clear he opposes.

Mr Watt's judgment therefore still stands, and the need for this election to help determine whether more clearly what the next Labour government will actually do remains as necessary as before.

Having said that, certain other things need to be added. This election was not, is not, and at no stage in the future will be, a challenge to Mr Foot personally or to his position as leader. Quite the reverse.

Indeed, if the aim as stated is to help encourage the collective thinking behind the views enunciated by the conference and personally espoused by Mr Foot, then in strict logic it should be argued that, if anyone is challenging Mr Foot, it should be seen as Mr Healey rather than Mr Benn.

Again, if I may quote David Watt as an independent witness: "when he (Mr Benn) says it is Denis Healey who needs

to be defeated, and not Michael Foot, he is merely stating what to any left-of-centre trade unionist is absolutely obvious".

But there is one other important issue that this election is all about, and that is the whole question of the accountability of MPs and the role of the TUC within the party's power structure. There is a genuine and serious divide over this, but certainly also a considerable measure of misrepresentation.

Thus Mr Healey has alleged that the purpose, or the effect, of the democratic reforms within the party is to turn MPs into mindless automatons or "ambles". It is an extraordinary accusation. If anything could be said to have such deadly effects, it must surely be the existing system. For nothing more reduces MPs to the role of mere voting fodder than the present combination of patronage and whipping. Rather than demean the function of MPs, democratic reforms such as reselection offer them the possibility of an independent base from which to resist, if necessary, both the blandishments and whips of the present structure.

This enhancement of the MPs' position would be all the more legitimate, to carry the democratic reforms further by electing, not only their Shadow Cabinet spokesmen in Opposition, but also, as at present, but their cabinet members in office, and also by seeking access to ministers' personal "cabinets" in Whitehall when in government.

Even leaving all this aside, it may still be said there is a real divide about the status to be allowed to the MP's role under the current reforms. Innuendoes of "democratic

centralism" are spread about, suggesting an East European-type party, with MPs deputized to act as some kind of faceless delegates.

A little hard-headed thought to replace the emotionalism would not come amiss. The fact is, there are perhaps three models of the MP's role. One, which is perhaps the SDP view of parliamentary democracy, is that the public elects MPs as persons of (it hopes) good sense, integrity and experience and then leaves them to get on with it, undisturbed. Opinion polls have shown that this view is decisively rejected by a majority not only of Labour Party members but of the electorate as a whole.

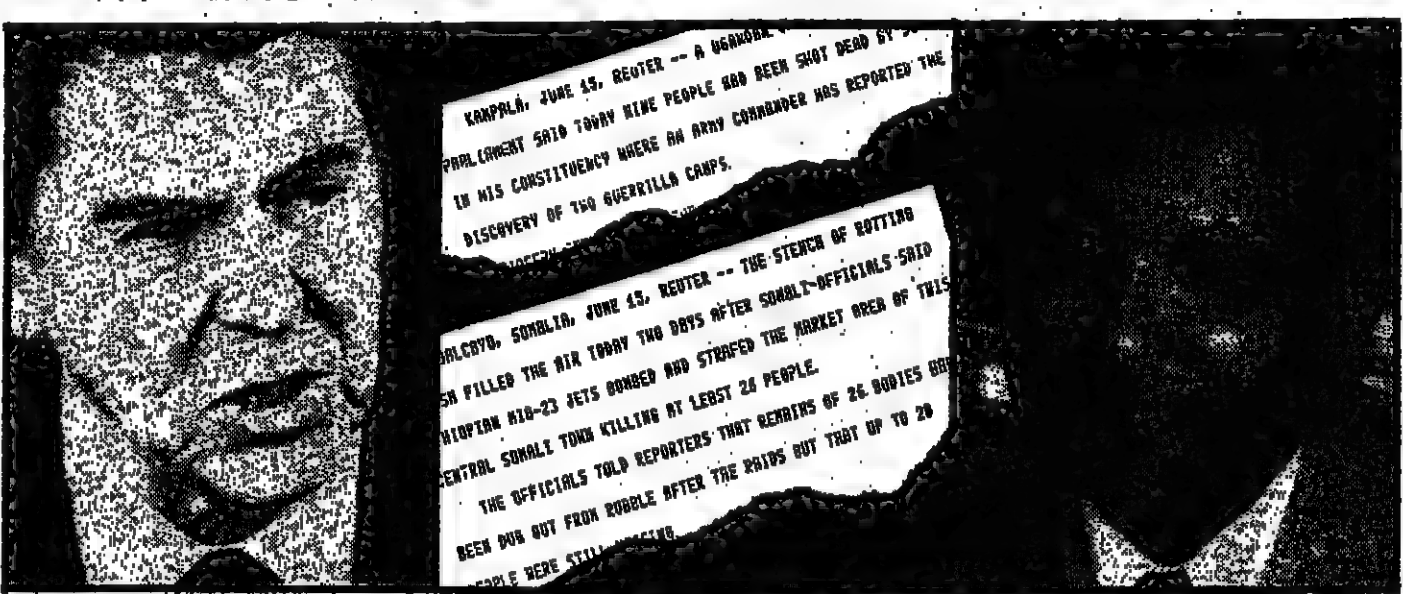
Then there is the equally extremist view that MPs are mere creatures of their constituency general management committees—unable to step out of line on anything, a relationship of passive instrumentality. Such an intolerant view, even if held by some, is repudiated by the vast majority.

The third view is both defensible and surely right. This is that MPs have a major contribution to make in terms of understanding political practicalities and judging events and personalities; they should be allowed full opportunity to exercise this function but after a reasonably lengthy period should be held to account for the way they have carried it out. Surely this is not only a fair but a highly desirable balance.

Is it asking too much that the present reform campaign in the Labour Party should be judged on its merits for what it is and not for what its detractors make it out to be?

The author is Labour MP for Oldham West.

And now the bad news from Unesco



President Reagan, sceptical of all UN agencies, especially Unesco, and two grim reports of the kind that upset the Third World. Right, Unesco's "honest broker" Director-General, Mr M'Bow.

President Reagan, sceptical of all UN agencies, especially Unesco, and two grim reports of the kind that upset the Third World. Right, Unesco's "honest broker" Director-General, Mr M'Bow.

Unesco's Senegalese Director-General, Mr Amadou Mahtar M'Bow, presents himself to Western audiences as honest broker, a man anxious to surmount ideological barriers and encourage constructive action. But Unesco's latest action has had the opposite effect, straining both Western goodwill and putting the future of the IPDC in jeopardy. It will need money, and Western governments are unlikely to sink funds into a body which could vote to divert them from practical to political purposes.

It is an indictment of Unesco that nobody is surprised by this development. Unesco's actions, and its propaganda, have always been poles apart. The West has tried to avert con-

trol over news reporting by striking bargains at Unesco. Year by year they have lost ground. There have been tactical victories, but they have only been temporary.

The United States, in particular, has given warning that it is no longer prepared to try to reach agreements, only to see them flouted or ignored. Western governments continue to be disturbed that Unesco's general programmes on communications are restrictive, underpinned by an assumption that the media are answerable to state for their conduct. Countries which pay more than half the bill are powerless to prevent the Secretariat drawing up programmes which threaten freedoms they hold to be basic.

It is right that they are at the bargaining table again this week. It is in Western interests to offer broader participation in the flow of information for countries which, because they feel excluded, understandably resent Western dominance. And there is no point in casting the field to the Unesco secretariat without a fight.

But it is time to make some things plain. Unesco is coming to the end of its rope. Europeans want to keep Unesco. But President Reagan is serious. Unesco is playing with an Administration which has intense scepticism about all United Nations

agencies, and has singled Unesco out as the most politicized. And it pays 25 per cent of Unesco's budget.

If Western governments want to help build up Third World media, they have other options. They could think in terms of a communications development trust, affiliated to the Organization for Economic Cooperation and Development but encouraging participation by the private sector. They could increase their inadequate bilateral aid. But failure in Paris will be bad news for everyone, not just for Unesco. Bitterness will spill over into the North-South debate at the important series of meetings scheduled for later in the year—the Commonwealth conference in Melbourne, the North-South summit in Mexico.

Mexico this week has been acting as peace-maker, supported by Venezuela and Yugoslavia. Other developing countries are wearying of high-flown confrontation. Unesco will have to learn that changing the rules ruins its credit with the West, and brings it little with many Third World countries. A meeting which should never have raised political questions is turning into a litmus test of Unesco's credibility, and its future.

What is more, the Cabinet expansionists have no clear single proposition around which they can unite. It is all very well for Mr Prior to insist that employment must have priority over for Mr Prior to argue that policy should be adjusted where necessary, but what particular alternative policy they have in mind is not easy to discern. They lack a focal point for an alternative strategy just as they lack a leader when it comes down to personalities—and also lack of support.

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If they have a fear, it is not that their policy is too stringent but that it is not stringent enough. Looking at the 14 per cent yield on long-dated gilt, which postulates a continuing rate of inflation of more than 10 per cent, some of their advisers recognize that this reflects the market's lack of confidence in the Government's political ability to stand firm. Indeed, on the performance of past governments, a

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Ronald Butt Are the wets high and dry?

The Conservative Party on the benches of the House of Commons is just now, a dog that is significantly not barking in the economic night. You might have expected that, coinciding with the first of the special Cabinet meetings to discuss the Government's economic strategy, Tory backbenchers would have been exerting some pressure for a modification of the current strategy so that the economy could be lifted off the ground more speedily.

After all, they are quite well aware of the danger that every day's news brings to the Conservatives to win the next election, and may be nicely timed to benefit a Labour government brought to power through the unpopularity of Tory remedies.

Such Tory backbench pressure is, however, conspicuously absent. Of course, the more vehement expansionist critics of the Government's monetarism have not changed their tune. Inside the Cabinet, moreover, the object of the wets in the present campaign is to persuade the Government to stave off further spending cuts, not simply in order to protect their departmental budgets but on the grounds that to reduce public spending still more would indirectly do damage to the hard-hit private sector.

Yet on the Tory backbenches there is no wave of support for the "wets" aim of preserving or increasing public spending. That is why Mrs Thatcher was able to sail off to the CBI dinner on the eve of the first economic Cabinet to deliver a pre-emptive strike against the "expansionists" by insisting that there would be no turning back over public spending, and that it was now the "private sector" which was the problem.

She and the Chancellor now face a struggle with the "wets" over public spending, and yesterday's meeting at which they did not challenge the basic principles of Thatcherite policy was only the beginning. Their caution in doing so is closely bound up with the lack of support for such an approach on the Tory backbenches.

Imagine with what confidence the "wets" would have approached the Cabinet table yesterday morning if they had behind them cohorts of supporting Tory MPs. But on the Order Paper of the House of Commons there is no early day motion demanding more public spending. On the contrary, more than 100 Tories have signed a motion calling for a decrease in the nationalized sector, and the burden of complaint among Conservative MPs generally is that there is too much public spending, not too little. They are anything but pleased with the latest bid for the Coal Board.

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regret at this stage could easily be envisaged.

But Mrs Thatcher is determined to prevent it, and there is no sign that her essential power-base—the support of a strong group of Cabinet colleagues in the key posts, and so the parliamentary majority—is in any danger of erosion, so long as she keeps her nerve. Her strength is not only the lack of an alternative to which all can agree, but the prospect that the monetarist ministers still offer their critics for a significant recovery by 1981 with a real chance of a 25p standard rate of income tax by then and even the hope of a modest tax relief next year.

There is perhaps only one point on which the Cabinet critics might combine to urge a new approach to public spending, with the support of some Tory backbenchers who would be quite opposed to a general relaxation. It is on the question of the public sector. There is no doubt that it would be possible, without jeopardizing the control over the supply of money, to separate the capital expenditure for nationalized industries from current spending and from the rigorous spending for the Public Sector Borrowing Requirement.

Strict monetarists will argue that it is not possible, since borrowed money is borrowed money, however it is spent. Yet there are supporters of the general monetarist position who would maintain that a nationalized industry should be as free as a private industrial company to seek credit repayable in terms of government securities for purposes (and under the Government's veto) from the market.

One backbencher who argues this is Mr Tim Renton, an unambiguous supporter of the government's economic policy and an MP with a great deal of industrial knowledge. Why, he put it to me when we were discussing the matter, should capital borrowing for British Telecom come under the PSBR because the Government in this country and overseas for new capital as British Telecom cannot. Why should not Telecom do the same, he asks, arguing that there is no shortage of investment money and that, provided such arrangements were under strict government control, it would not increase the supply of money but would simply take money that would otherwise be invested in government stock.

Whether such arrangements would or would not after the money supply and whether or not they could be applied more widely to government money for nationalized industries' capital needs is an arcane argument, but it is perhaps on this sort of question that discussion of the closed shop on employment, Mrs Thatcher hopes, by her realistic money policies to change the nation's patterns of behaviour—but of course she has been forced to discuss harsh policies, and to the heavy reliance on interest rates, because of the political "immovables" which the Government has inherited—including the size of the public sector.

What the Government ought to do is examine more closely the shape of the society which has driven it to the blunt instrument of interest rates as the only means of escape from the menace of inflation.

He also pointed out that Cable and Wireless, because it was left as a limited liability company when it was nationalized, does not come within the PSBR at all and can therefore go to the money markets in this country and overseas for new capital as British Telecom cannot. Why should not Telecom do the same, he asks, arguing that there is no shortage of investment money and that, provided such arrangements were under strict government control, it would not increase the supply of money but would simply take money that would otherwise be invested in government stock.

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Stock Exchange Prices

Light selling

Forward bargains are permitted on two previous days.

[illegible]

Return of the barnstormers in U.S., page 21

Business News

THE TIMES June 18 1981

IDC
Design, Construction & Engineering Service
Stratford-upon-Avon 4268

Stock markets
FT Index 544.8 down 6.6
FT Gilts 66.67 down 0.03

Sterling
\$1.9975 up 15 points
Index 95.6 down 0.1

Dollar
Index 107.2 down 0.2
DM 2.3477 down 40 pts

Gold
\$461.50 down \$1

Money
3-mth sterling 12 1/2-12 3/4
3-mth Euro \$ 174-16 1/2
3-mth Euro \$ 161-16 1/2

Manufacturing output starts slow recovery

By Our Economics Editor

Industrial production showed some stabilisation in April after two years of decline, the Department of Industry said yesterday. Provisional figures for industrial output showed a 0.2 per cent drop on the March figure, while manufacturing output actually increased 0.8 per cent.

The figures suggest that output was still falling in the three months to the end of April, but they point to an end in the steep decline recorded throughout most of 1980.

In the three months output was 0.6 per cent lower for all industries than in the previous three months. The April production index was 98.8. Manufacturing, which had seen sharp falls throughout 1980, had performed slightly better in recent months. The drop in the three months to the end of April was only 0.3 per cent.

The biggest and most surprising jump in the manufacturing sector in April was metal, which jumped more than 7 per cent in one month alone to reach the highest level since early 1980.

Another bright spot was chemicals, where output in the three months to the end of April was up by 1.4 per cent on the previous three months. Chemicals and steel stand to benefit from an end to destocking, which is expected to be the most positive factor working on the economy over the next six months. Output is expected to perform better than other sectors.

Engineering remains depressed, with output down by 1.8 per cent in the three months to the end of April.

INDUSTRIAL OUTPUT

Index numbers for industrial production in Great Britain seasonally adjusted, released by the Central Statistical Office, yesterday (1975=100)

	1978	1979	1980	1981
All industries	100.0	98.2	96.8	98.8
Manufacturing	100.0	97.8	96.4	98.4
Construction	100.0	100.0	100.0	100.0
Seasonally adjusted				
1980				
1	100.0	100.0	100.0	100.0
2	100.0	100.0	100.0	100.0
3	100.0	100.0	100.0	100.0
4	100.0	100.0	100.0	100.0
5	100.0	100.0	100.0	100.0
6	100.0	100.0	100.0	100.0
7	100.0	100.0	100.0	100.0
8	100.0	100.0	100.0	100.0
9	100.0	100.0	100.0	100.0
10	100.0	100.0	100.0	100.0
11	100.0	100.0	100.0	100.0
12	100.0	100.0	100.0	100.0
13	100.0	100.0	100.0	100.0
14	100.0	100.0	100.0	100.0
15	100.0	100.0	100.0	100.0
16	100.0	100.0	100.0	100.0
17	100.0	100.0	100.0	100.0
18	100.0	100.0	100.0	100.0
19	100.0	100.0	100.0	100.0
20	100.0	100.0	100.0	100.0
21	100.0	100.0	100.0	100.0
22	100.0	100.0	100.0	100.0
23	100.0	100.0	100.0	100.0
24	100.0	100.0	100.0	100.0
25	100.0	100.0	100.0	100.0
26	100.0	100.0	100.0	100.0
27	100.0	100.0	100.0	100.0
28	100.0	100.0	100.0	100.0
29	100.0	100.0	100.0	100.0
30	100.0	100.0	100.0	100.0
31	100.0	100.0	100.0	100.0
32	100.0	100.0	100.0	100.0
33	100.0	100.0	100.0	100.0
34	100.0	100.0	100.0	100.0
35	100.0	100.0	100.0	100.0
36	100.0	100.0	100.0	100.0
37	100.0	100.0	100.0	100.0
38	100.0	100.0	100.0	100.0
39	100.0	100.0	100.0	100.0
40	100.0	100.0	100.0	100.0
41	100.0	100.0	100.0	100.0
42	100.0	100.0	100.0	100.0
43	100.0	100.0	100.0	100.0
44	100.0	100.0	100.0	100.0
45	100.0	100.0	100.0	100.0
46	100.0	100.0	100.0	100.0
47	100.0	100.0	100.0	100.0
48	100.0	100.0	100.0	100.0
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69	100.0	100.0	100.0	100.0
70	100.0	100.0	100.0	100.0
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72	100.0	100.0	100.0	100.0
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88	100.0	100.0	100.0	100.0
89	100.0	100.0	100.0	100.0
90	100.0	100.0	100.0	100.0
91	100.0	100.0	100.0	100.0
92	100.0	100.0	100.0	100.0
93	100.0	100.0	100.0	100.0
94	100.0	100.0	100.0	100.0
95	100.0	100.0	100.0	100.0
96	100.0	100.0	100.0	100.0
97	100.0	100.0	100.0	100.0
98	100.0	100.0	100.0	100.0
99	100.0	100.0	100.0	100.0
100	100.0	100.0	100.0	100.0

Expanding Tesco do better than expected

By Peter Wilson-Smith

Tesco, the high street supermarket group, reported profits down from £36.5m to £35.5m before tax in the 53 weeks to June 12, but the group's market was pleased with the figures, having expected worse after the half-time drop of £5.6m to £11.4m.

Encouraged by a small rise in the year's dividend from 3.5p gross to 3.64p, the shares rose 3p yesterday to 65p.

Tesco's results continue to reflect the cost of its huge store-opening programme last year, the highest increase in the group's history. A further 22 stores were opened, adding 790,000 sq ft to total selling space of 6.8m. Tesco plans 17 new stores during 1981-82, adding another 600,000 sq ft.

Tesco's expansion has led to an increase in depreciation from £14.6m to £20.2m, while interest charges last year jumped from £3.2m to £15.7m. Before these charges, profits were nearly a third higher at £71.6m.

Tesco said the second half increase in profits had been achieved through higher profit margins and substantial pruning of costs and this led to improved productivity. There was a marked improvement in stockturn both in grocery and Home 'n' Wear—Tesco's non-food operation.

However, finance director Mr. Ralph Temple said the performance of Home 'n' Wear was disappointing and steps had been taken to rationalize the product range.

A realignment of Tesco's properties threw up a surplus of £150m, although this had not been incorporated in the accounts. Tesco has arranged a £100m medium-term loan facility of which £50m had been used at the year-end to replace short-term borrowings. The sale of properties and sale and leasebacks generated £25m during the year and property sales worth £10m have been contracted since the year-end.



The champagne crashes on the bows. The top brass and distinguished guests look on.

Launch that faced a couple of slips

This was the moment when a £120m frigate began her Royal Navy career in a manner far from ship-shape. As HMS Bellerophon was launched down the Yarrow slipway, Glasgow, yesterday, a flagstaff mounted on the prow caught on a beam of her covered hatch. Seconds later, as senior officers and overseas guests looked on in mounting alarm, the carrier right across the River Clyde and ran her stern into the opposite bank. She quivered, then came to rest, apparently undamaged. Mr. Robert Easton, Yarrow's chairman, blamed the incident on a pin shearing in the flag chain, which should have slowed down the 4,000-ton vessel. "It is one of those things that happen occasionally at launches", he said. "We have examined the ship and there is no damage. She just touched the bank and came away again."

Big cutback in oil tanker fleets

By Baron Phillips

Two leading oil companies are to make drastic reductions in their tanker fleets in the face of a world-wide oil glut and excess shipping capacity.

BP is slimming down by a further six ships after announcing a similar cut at the beginning of the year. Shell Tankers BV, the Dutch arm of the group's shipping division, will cut back by almost 30 per cent over the next five years.

BP's decision will take the overall reduction this year from 53 to 46 tankers. The group is also cutting its seagoing staff by 230 United Kingdom officers, 370 United Kingdom ratings and a comparable number of Indian crew.

Mr. Ronald Ilian, managing director of BP Shipping, said last night that the cutbacks were caused by the general fall in world demand for tankers and a sharp drop in BP's requirements.

The Merchant Navy and Airline Officers' Association said of the BP move last night: "We are appalled and dismayed by the decision, especially as we only learned about it second-hand and there was no consultation."

Shell Tankers BV is to cut its fleet from 35 to 25 over the next five years. By 1985 the company will have disposed of 12 vessels (mainly tugs) and added two more smaller oil product carrying vessels.

IN BRIEF

Thorn EMI to make video discs

Thorn EMI has bought for an undisclosed sum a factory in Swindon which could employ 100 workers by next April manufacturing video discs. It is expected to be in full production by next January, ready for the launch of the company's video players in the United Kingdom in June.

Thorn EMI has adopted the system of the Japanese Victor Company (JVC) in preference to its rivals from Philips of Holland and RCA of America.

The JVC system called the video high density will be launched in the United States next January to compete against the RCA and Philips systems.

Hongkong shipping

Sir Y. K. Pao, chairman of the Swire Shipping Group, said that in view of United Nations moves to abolish flags of convenience, the British and Hongkong governments should consider the creation of a Hongkong shipping register.

Change of name

The Radiochemical Centre in Amersham, Buckinghamshire, has changed its name to Amersham International, to bring it into line with its subsidiaries in the United States, France, Germany, Belgium, Holland and Australia.

Chemicals warning

M. Jacques Solvay, president of CEFIC, the European chemical industry organization, said in Brussels that even small quantities of cheap chemical imports into the EEC from the United States and East Europe can be damaging.

Honda's SE debut

Honda, the Japanese motor manufacturer, has been granted a listing on the London Stock Exchange. The company was sponsored by bankers Kiewit, Benson and stockbrokers Cazenove. Dealings start today.

Paper mill jobs go

Yates Duxbury, the Lancashire paper maker which went into receivership two weeks ago, closed yesterday with the loss of 200 jobs. The receivers, Younce Ross, said the company's substantial losses could no longer be supported.

Unit trust sales

Sales of unit trusts totalled £73.92m in May, well down on April's £107.43m, but still the fourth highest on record. Net new investment, at £36.43m, compared with net withdrawals of £567,000 in May 1980 and net new investment of £60.15m in April 1981. For the fifth month running the number of unit holders' accounts has increased, to 1,761,000.

Textiles upturn

A textile industry upturn is reported by Dawson International, makers of the Pringle of Scotland luxury knitwear brands. Prices of polyester filament yarn and acrylic fibre have risen by between 2.0 and 3.0 per cent in two months.

Roads computer order

ICL has won a £15m contract from the Western Australian State Government for the supply of a computer system for the state's road traffic authority.

Westinghouse deal

Westinghouse Electric Corporation has reached agreements with the Italian companies which will build the pressurized water reactors in Italy under licence.

Wall Street higher

The Dow Jones industrial average closed at 1,006.56, up 3.23 on Wall Street yesterday. The S&P 500 index rose 1.16569 while the £=SDR rate was 0.58269.

Pay deals average falls to 14 per cent

By David Blake and Peter Hill

The annual rate of pay increases slowed again in April, according to figures published yesterday by the Department of Employment.

Average earnings went up by just under 1 per cent after allowing for seasonal factors, bringing the annual rate of increase down to 1.4 per cent from 1.5 per cent in April. The earnings increase peaked at an annual rate of 26.1 per cent last September.

Since then, wages have been going up at an underlying rate of about three quarters of 1 per cent a month, according to department calculations. This figure fits in with estimates published yesterday by the Confederation of British Industry based on its database of pay agreements. This shows that settlements in manufacturing are averaging between 8 and 9 per cent.

The CBI and the Government believe that pay deals have been averaging the same level ever since three quarters of 1 per cent a month, according to under way last October. The fall in the annual rate since then is caused by previous high settlements dropping out of the figures.

With deals covering 55 per cent of all workers now concluded in the present round, it seems likely that average earnings will grow by about 10 per cent in the 12 months to the end of July.

New deals yet to enter Government figures cover a further 10 per cent of the workforce and are thought to have been signed in May, with similar numbers of people expected to be covered by June and July agreements.

About 10 to 15 per cent of workers are not expected to settle at all during this pay round.

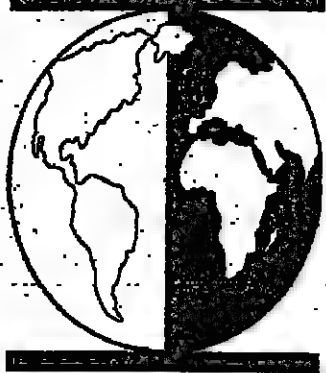
The figures show that manufacturing has done much worse than the rest over the past 12 months. Manufacturing wages have gone up by only 11.5, compared with 14 per cent for the whole economy. Manufacturing workers have been badly hit by short-time working and the loss of overtime, but their position might improve as the economy recovers.

The CBI aims to cut the level of earnings increases in the next pay round to about 5 per cent and is holding a conference for members today to discuss industry's approach.

AVERAGE EARNINGS

Index numbers for average earnings of employees in 1975=100, seasonally adjusted, released by the Department of Employment, 1980

	Index (Jan 1976 = 100)	Change over previous 12 months	Change in 3 months ended last month % rate %
April	175.7	21.3	29.9
May	178.7	21.3	20.3
June	182.1	21.7	23.6
July	183.1	21.3	28.2
Aug	187.3	21.9	18.6
Sept	190.0	22.5	28.5
Oct	190.7	20.7	73.2
Nov	192.9	18.9	11.7
Dec	198.8	29.5	5.0
1981			
Jan	195.3	18.6	3.1
Feb	198.9	18.5	2.0
March	197.8	14.5	2.0



China to pay debts on time

China has abandoned efforts to defer payments for \$600m (£301m) in plant machinery ordered from Japan for three petrochemical projects which Peking has postponed.

The Chinese Government notified the Japanese embassy in Peking that it will continue to make cash payments to Japanese suppliers for equipment ordered in 1978 for proposed petrochemical plants in Nanjing, Shengchi and Daqing.

China has been negotiating with suppliers to refinance the purchases with a loan from Tokyo's Export-Import Bank. Peking was seeking relief from the payments partly because it faces a foreign-exchange squeeze which has forced it to delay or cancel several industrial development projects in recent months.

No Kuwait oil cut

Sheikh Ali Khalifa Al-Sabah, Kuwait's oil minister, said Kuwait will not lower its current oil output by the level agreed at last month's Opec conference. He said the up to three million barrels a day oil surplus would disappear by the end of this year and he did not expect oil prices to fall.

Coal conversion offer

Australia has offered to assist Brazil on conversion of steel to oil. The offer was made by Mr Doug Anthony, deputy prime minister.

Japan ship orders up

Foreign orders received by Japanese shipyards rose sharply to 34 vessels totalling 671,329 gross tons in May from 20 ships and 337,669 tons a year earlier.

Belgian jobs plan

Mr Roger De Wulf, Belgium's labour minister, has proposed a major investment programme to create 200,000 jobs by 1985.

Soviet output lags

Soviet industrial output from January to May this year grew 3.2 per cent against the same period last year. Western economic experts say Soviet planners will be concerned that the 4.1 per cent growth target for 1981 may not be achieved.

Investment cut back

Japan's direct overseas investment in 1980-81 fell 6 per cent to \$4,680m (£2,375m) from a record \$4,990m a year earlier, the finance ministry announced in Tokyo. Japan's direct investment in the industrialized nations was increased in an attempt to ease trade frictions.

Uranium find

The Japanese Power Reactor and Nuclear Development Corporation said drill holes at its uranium find in Western Australia showed uranium oxide content of up to 2 per cent.

Engine group expects truck sales revival

By Clifford Webb, Midlands Industrial Correspondent



Cummins-owned trucks geared up for recovery

Cummins, the American-owned diesel manufacturer with a large stake in the British truck market, yesterday reported that the recession which has seen total United Kingdom truck sales plummet by 40 per cent, has now bottomed out.

It predicts a "modest revival" for the remainder of 1981, followed by rapid growth of over 25 per cent a year for 1982 and 1983. This would bring 1984 truck sales back to the record levels achieved in 1979.

Cummins' optimism will be welcome relief to the widespread gloom which has till now covered the whole truck industry. But even if the recession has bottomed out, and sales improve in the second half of 1981, manufacturers will still have to contend with further sales losses over the year 1980-81.

In the most important sector, over 28 tonnes articulated vehicles, Cummins forecasts only 8,500 new registrations compared with 10,000 last year. That means that 1981 will still be a disastrous 34 per cent down on 1979.

Heavy duty "arcs" account for over 20 per cent of the commercial vehicle market, but traditionally show a sharper decline in periods of recession than other sectors. Against this, the rigid truck market has held up better, although foreign competition has benefited.

In that respect, Volvo's success has been quite outstanding. The Swedish company only entered the rigid market in 1975 when it took 2.8 per cent. Today it holds over 17 per cent. Cummins believes that the

four-year rigid market will be the fastest growing sector, rising from 1,700 sales in 1980 to 3,500 in 1984-5, higher than the 1979 peak. It is also optimistic about the performance of United Kingdom truck manufacturers in this sector predicting that they will take 75 per cent. This would enable Cummins to lift its own share of the diesel market for rigid from 7 per cent to 18 per cent in four years.

The company is much less bullish about United Kingdom truckmakers' progress in "arcs" over 28 tonnes but nevertheless it believes home manufacturers will put on a further 2.2 percentage points to take 50 per cent. Helped by a new lightweight 10-litre engine to be launched in two years' time, Cummins plans to increase its own penetration to 26 per cent.

That would mean Cummins engines powering over half of all British-made trucks, and explains why the company is already investing nearly £30m to expand its plant at Shorts, Loughborough, Darlington, Co Durham, and Dagenham.

Mr Roger Wilson, manager of Cummins' United Kingdom field operations, said: "We have taken a long, hard look at the market and firmly believe that the recession has now bottomed out. We can look forward to moderately buoyant marketing conditions in about a year from now."

"There has generally been a trend towards maximum weight vehicles, and above all Armitage (the Armitage Report proposing increased maximum weights for trucks) may become a reality. Cummins plans to increase its own penetration to 26 per cent."

First satellite station for business use

By Bill Johnstone

Britain's first commercially-owned satellite earth station, which will be used to launch the European Space Agency in 1978.

Four other Marconi earth stations are already in operation.

The first, in Oxford, and another in Geneva, Switzerland, are involved in an experiment to test methods of transferring bulk amounts of data on high energy nuclear physics between the Rutherford laboratories and the European Nuclear Research Centre (CERN).

The other two, at Farnborough and Darmstadt, West Germany, are transferring information on space.

Viewdata, videoconferencing, high quality facsimile transmission and bulk data transmission are all expected to be available over satellite links.

Three other rooftop terminals will be built by Marconi to be housed at the universities involved in the project. The experiment, designed to demon-

180 jobs go at Mitcham disc factory

By Our Commercial Editor

Precision Records and Tapes, part of Associated Communications Corporation, headed by Lord Grade, is to drop production of records with the loss of 180 jobs at its Mitcham, Surrey, disc-pressing plant.

The firm, in Oxford and another in Geneva, Switzerland, are involved in an experiment to test methods of transferring bulk amounts of data on high energy nuclear physics between the Rutherford laboratories and the European Nuclear Research Centre (CERN).

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Mexico oil price 'freeze'

From Our Correspondent, Mexico City, June 17

Señor Jose Andres Ortega, the Mexican secretary of national resources and industrial development, has announced that Mexico would maintain the price of its oil for a month, during which time it would find out exactly what the situation on the world market was.

"We shall clean up the list of our clients and reset prices," he said.

He described as "hurried" the decision by Señor Jorge Diaz Serrano, former Pemex director-general, to lower the price of oil by \$4 a barrel.

Señor Ortega said Mexico was not prepared to cheapen its hydrocarbon reserves, nor to make them subject to speculation. "To follow passively the tendency of the market does not seem to be the best policy for Mexico as regards crude," he said.

Going for a fatter slice of £600,000m market Britain to drum up trade in Europe

By Derek Harris, Commercial Editor

UK TOP EXPORT 1980

	£ million	% of all
West Germany	5,071	11
United States of America	4,535	9½
Netherlands	3,843	8
France	3,586	7½
Republic of Ireland	2,637	5½
Belgium/Luxembourg	2,259	5
Switzerland	1,953	4
Italy	1,896	4
Sweden	1,618	3½
Norway	1,185	2½
Denmark	1,030	2
South Africa	998	2

Mounting anxieties about Britain's poor performance in exporting to the 17 countries of Western Europe, a £600,000m-a-year market, has led the British Overseas Trade Board (BOTB) into a new initiative which not only includes a campaign aimed at making industrialists more aware of opportunities, but a switch in BOTB resources.

Market research at a sufficiently detailed level to be useful to companies in specific sectors and national markets is to be beefed up. Other improvements in overseas market intelligence reports are planned, all aimed at the West European market.

First results are coming in from four product teams which have been studying developments in European countries for the past six months. They have been identifying export opportunities which British companies are best fitted to exploit.

But BOTB's Exports to Europe Branch (EEB), led by Mr David Wiseman, wants to tackle head on its most immediate worry — that too many British companies are throwing away trading chances in what is now an almost tariff-free market.

Although 58 per cent of British exports

now go to Western Europe, British goods still account for only 6.5 per cent of total exports into the West European market.

Mr Wiseman has another problem. "Too many large companies know how to bleed the BOTB system dry; the people we need to get to are the medium-sized and smaller

companies that are the newcomers". This is why seven regional conferences are being held later this year.

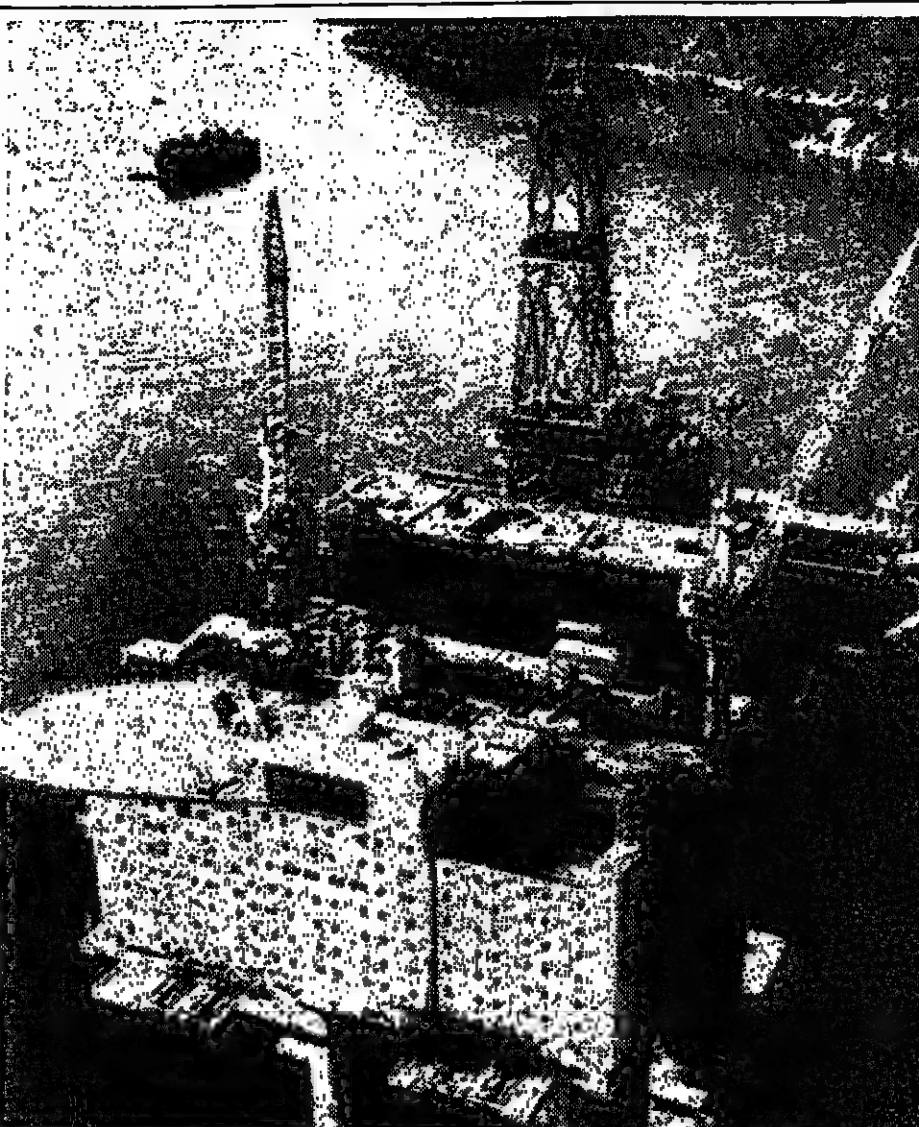
The drum-bang of business on Thursday next week at a London conference at which speakers will include Mr John Biffen, Secretary of State for Trade, and Mr Cecil Parkinson, Minister for Trade.

A British grain manufacturer failed to sell in the Netherlands until closer market study showed the Dutch distillers' reserves and additives.

It is a mistake to underestimate the amount of sophisticated consumer goods which are saleable in countries such as Spain and Italy despite a tendency to classify those countries as less developed markets.

German customers, with their high expectations of products, are among the toughest. A survey has shown 80 per cent of them uncompromisingly identify what they want and buy only that. In Britain only 40 per cent of consumers are so choosy, the survey found.

Security equipment, including intruder alarms, is probably an underdeveloped opportunity for British makers.



World's biggest offshore rig

Oslo, June 17

The world's biggest offshore platform was yesterday officially named Statfjord B at Yrkesfjorden near Stavanger. It is now getting ready for towing out to the Statfjord oil and gas field, off western Norway, next August.

When completely outfitted and fully loaded with oil, the 51,700m (255m) four-legged platform of the Condeep-type will weigh about 84,000 tons. The 271-metre tall rig, when floating at the Statfjord field without oil in its storage cells and with reduction for buoyancy, will weigh about 36,000 tons.

The Statfjord field contains more than 3,000 million barrels of oil and about 100,000 million cubic metres of natural gas. The Statfjord B rig will have a daily production capacity of 150,000 barrels or 7.5 million tons of oil a year.

The rig consists of a 550,000-ton concrete base structure of 24 under-water cells, four supporting concrete legs and a huge steel deck.

Twenty of the under-water cells will be used for storing 1.9 million barrels (250,000 tons) of oil. Each cell has an inner diameter of 23 metres and is 64 metres high. The entire base covers an area of 18,200 square metres.

The four other cells support the four 111-metre-tall concrete legs carrying the 45,000-ton platform of steel deck, living quarters for 200 people, a helicopter deck and four large cranes. The two-storey deck is 30.5 metres high, 114 metres long and 55 metres wide.

The concrete base and the deck, both built in Stavanger by Norwegian companies for the Statfjord group, were towed separately to Yrkesfjorden.

Another Norwegian-built Condeep rig, the 650,000-ton Statfjord A, is already producing at the Statfjord field, of which 11.25 per cent stretches into the British sector of the North Sea. — AP-Dow Jones.

£25m grain mill boost for Corby

By Hugh Clayton

Investment of £20m in new plant by Associated British Foods will lead to the creation of two automated grain factories and more than 100 jobs at the former steel town of Corby, Northamptonshire.

Some of the money will be spent on a grain export terminal near Ipswich which will handle part of the growing British sale of grain to deficit countries such as Poland.

Mr Garry Weston, chairman of ABF, said in London yesterday: "This will be my company's biggest single programme of new capital investment in this country."

The projects mark a new stage in the steady conversion of Britain's grain into a leading importer of grain to a modern exporter in the wake of record harvests and support for farmers through the Common Agricultural Policy.

Mr Weston said that the group's £15m flour mill at Corby would be "the first inland mill built in Britain in living memory". Existing mills in ports reflected the country's long history of grain imports from North America.

The group is to build a £10m plant at Corby for the production of gluten and starch from home-grown wheat using technology made available through a partnership with its Finnish developers. Gluten is used in breakfast cereals.

The announcement was given an exceptionally warm welcome by Mr Peter Walker, Minister of Agriculture. He came to Mr Weston's press conference straight from a Cabinet debate about economic policy and said: "I particularly rejoice when one of Britain's leading food companies expresses its confidence in the future by a dramatic £30m investment programme."

"The food industry is, I suppose, a great jewel in the economic crown of Great Britain. What you are now embarking on will be important, export-creating and job-creating. Corby, through no fault of its own, faced with a very serious problem of unemployment."

For the Corby development, the group received regional development aid and a training grant of £125,000 from the British Steel Corporation.

'No option' on nuclear power

By Edward Townsend

A warning that British industry will be forced to pay considerably more for its electricity in the coming decades because of delays in the construction and building of nuclear power stations, is given in a new survey of world electricity costs published this week.

The report, from the American-based National Utility Service, says that nuclear power will cost about 12 per cent of Britain's electricity needs and will still supply only 30 per cent, if the building programme is completed on schedule, by the year 2000.

NUS (UK) says: "In the absence of significant hydro resources and faced with the prospect of continuing price increases in coal, the United Kingdom's major generation source, Britain has little option but to accelerate urgently the building of nuclear power stations."

"Our industry cannot pay annual electricity prices which will rise by 10 to 15 per cent, and we need more nuclear stations, faster."

The survey, based on electricity bills paid by 750,000 commercial and industrial users in Europe, North America, Australia and South Africa, says the outlook for further containment of British electricity prices is bleak. After a 16.7 per cent increase in the past year, customers face another of 8-10 per cent rise in September.

Unless the nuclear programme can be revitalised quickly, NUS believes that annual electricity prices will continue to exceed inflation by about 5 per cent.

In 1980-81, British industry was paying the world's second highest electricity prices, but was seventh in terms of the severity of price increases during the same period.

Belgium, dependent largely upon imported oil, has the world's highest prices, which last year rose by more than 30 per cent. France, however, had cost increases of only 6.8 per cent, and its industry pays a third less, in terms of United States cents per kilowatt hour (at April 1, 1981, exchange rates) than the British.

France experienced the second lowest price rise in Europe and, says NUS, this reflects the strengthening of the country's nuclear power generation.

West Germany's suppliers lifted their prices by 15.8 per cent in the past year, almost three times the country's annual inflation rate. Again, says NUS, continuing delay in bringing nuclear

World Industrial & Commercial Electricity Costs 1980/81

	1980/81
Belgium	138
France	708
UK	641
Germany	618
Italy	605
United States	571
Norway	494
Holland	472
Sweden	418
Australia	279
South Africa	358
Canada	293

Source: National Utility Service. U.S. Cents per kilowatt hour.

	1980/81
Belgium	30.5%
France	28%
United States	22.1%
UK	18.8%
Holland	18.2%
Australia	16.8%
Germany	16.7%
South Africa	15.8%
Canada	15.5%
France 68"	6.8%
Sweden	6.8%

stations on stream — will bring to an end Germany's long period of moderate annual price increases.

In the United States prices went up by an average of 22 per cent, reflecting energy conservation measures, oil import costs and a weak dollar during much of the period, although prices are still 25 per cent lower than in the United Kingdom.

NUS says that a shining example of reversing the global trend towards higher prices is provided by the United States company, Virginia Electric and Power of Richmond, whose new nuclear system enabled a cut in prices of 0.63 cents per unit.

Britain tops invisible earnings table

By Anne Warden

The United Kingdom became the largest net earner of invisible export income in the fields of consultancy, contractors, insurance, financial services, films, royalties, and student fees in 1979, with a surplus of 4,600m SDR (£2,691m) in the latest figures issued by the Committee on Invisible Exports.

Britain's performance pushed the United States down to second place in the invisible earnings table.

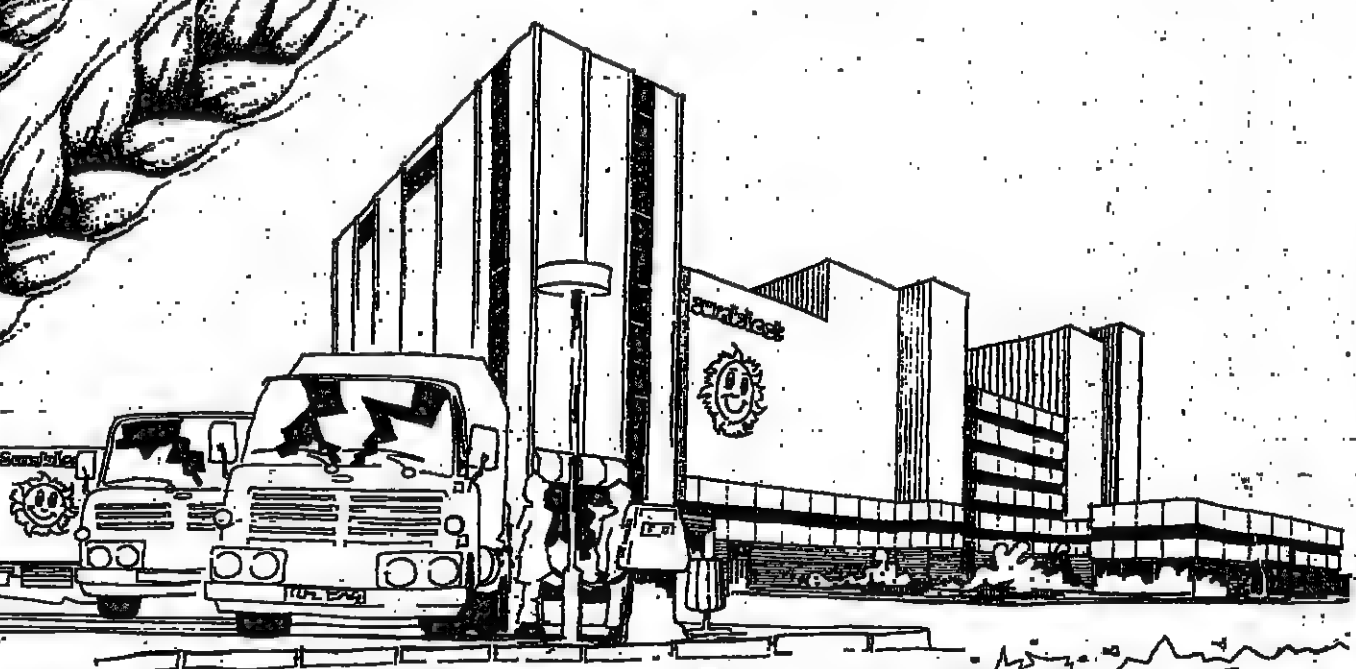
Nearly two-thirds of the United Kingdom's total invisible surplus came from these sources, and the 1979 total of

SDR 4,616m compares with 3,842m SDRs in 1978. However, surpluses on travel and investment fell in the period between 1978 and 1979, mainly due to higher payments to foreign investors in North Sea oil development.

The United Kingdom also recovered second place in the invisible earnings table, ranking by gross receipts, overtaking France. Britain's receipts grew 30.9 per cent, from 2,657m SDR in 1978 to 3,191m SDR, in 1979. This was largely because of a sharp rise in indirect investment.

The United Kingdom's net surplus increased slightly, from 7,389m SDR, to 7,524m SDR.

World invisible trade increased its share of total world trade in 1979 for the third year in succession, to 24.5 per cent, and the fastest growing area was investment income partly because of higher interest rates. However, the invisible trade increase was slower than in the two preceding years, and transport, travel, and financial services declined relative to investment income.



Mr Garry Weston announces

New major investment programme

New major investments for ABF

£30 million capital expenditure programme to commence at once in the field of grain processing and handling to back ABF Group skills and to take advantage of new technologies and market opportunities.

New major investments for Corby

The major part of this investment will be at Corby where it will create jobs and, we believe, confidence; and bring new skills to a location ideally situated near England's wheat growing heart land. Capital expenditure will include £15 million for a new bread flour mill designed to use the maximum of home grown wheat. Additionally at Corby will be a £10 million factory to produce gluten and starch for use in the food industry and for other industrial uses, providing an outlet for some 100,000 tonnes of home grown wheat.

New major investments for British farmers

In backing our skills we are backing the expanding cereal growing industry in this country for British farmers. The wheat these new investments will use, and the products they produce will replace cereals grown overseas and products manufactured outside this country.

In addition, the better to service the British farmer, our Group will be building a new major grain storage and shipping terminal in East Anglia to be operated by our international grain trading subsidiary. Through this terminal we expect to condition and export over half-a-million tonnes of grain a year — a facility that will help open up wider overseas markets for British grain, and help the products of the British farmer to compete abroad.

Associated British Foods

Associated British Foods Limited, Weston Centre, 68 Knightsbridge, London SW1X 7LR.

BY THE FINANCIAL EDITOR

Tesco shops for the right formula

Tesco has managed to make up some lost ground in the second half after the dismal performance in the first and full-year profits are down by just under £1m at £35.6m pretax. The dividend has even been raised a fraction and the shares up 3p to 65p yesterday the yield is now 5.6 per cent—more than twice the return offered by either Sainsbury or Asda.

Unfortunately this is about the only comparison with those two which is remotely favourable to Tesco even though it also serves to highlight the underperformance of Tesco's shares in the past year both against the market and the food retailing sector. It is also worth remembering that a year ago Tesco was predicting higher profits. In the event it has made lower profits on its near 7 million sq ft of selling space and little more than half the profit which Sainsbury squeezed out of about 3 million sq ft.

There are two main reasons for Tesco's poor returns and low margins: its disastrous expansion and its so far fairly disastrous ventures in non-foods, which now take 35 per cent of selling space. The cost of the huge new store programme is reflected both in much higher depreciation and the

the going is tough, especially in Italy, the biggest single market.

Dawson's solidity is not in doubt. Pretax profits, inflation-adjusted, were £16.8m, though streamlining of Mackinnon and recovery in yarn spinning could carry profits this year up to around £22.5m, and the cash board is being held not only for a rainy day but against further acquisitions. But if, as the group insists, a general textile recovery is under way, investment interest is likely to turn towards more highly geared recovery prospects.

Some investors may have sold in May and gone away, but unit trust holders were not among them. While the figures published yesterday by the Unit Trust Association showed that both purchases and net new investment last month were well down on the all-time record figures of April, the trend continues remarkably buoyant. As against net withdrawals of £5.5m in the first five months of 1980, and net new investment of only £30.5m in the corresponding period of 1979, in the first five months of this year net new investment amounted to £247.5m—which (in money terms, at least) is more than was invested in the whole of 1972, which was a record year for the industry.

More significant still, is the fact that the number of unit holder accounts is up again, for the fifth month running: not only is more money being invested, but more investors are being bought. The irony of all this lies in the fact that unit trusts have found their salvation in abandoning their origins. It is not the general trusts, with their wide spread, which are attracting the money: it is the specialists, and particularly the specialists in overseas markets, in which the private investor is now starting to take as an enthusiastic an interest as institutional investors.



Mr Leslie Porter, chairman of Tesco.

escalation in interest charges from £3.2m to £15.7m, even though year-end net debt was slightly down at £62m thanks to a non-repeatability £30m out of working capital and £29m from asset sales and leasebacks. Meanwhile non-foods—Home 'n' Wear—has been very disappointing and the range of products is being rationalized.

There is some evidence from the second half that Tesco is tackling its problems. Even though second half sales growth slowed, pre-interest margins recovered from 2.3 per cent in the first half to 3.2 per cent reflecting higher productivity and better sales mix as well as higher gross margins and even though volume growth may be hard to achieve this year, profits could struggle up to £40m. So there should be some mileage left in the shares since they have been left so far behind. But borrowings will be rising and, in the longer term the question remains whether Tesco can get its large store, high non-food content formula right, or whether its strategy is misconceived from the start.

Dawson International A mature look

Dawson International did well enough in the year to March to raise the shares 6p to a new peak of 191p yesterday, but it is now starting to look a mature textile group. It sailed through recession—pretax profits were only £16.3m in 1978-79 and in the past year they went up a further 14 per cent to £20.7m on sales that advanced at the same pace. But two thirds of Dawson's business is abroad—so it is not the leading beneficiary of the textile industry recovery that the directors are now confident is under way.

The group is also biased towards the luxury trade which did not suffer as much in recession. It is solid enough with a whole string of strong brand names but mindful of the 1971 and 1975 setbacks it is nursing cash resources which rose by £13m to £22.4m in the past year, equivalent to 39p a share. For perspective, capital spending was only £3.5m and dividends absorbed £4.2m. Allowing for the two acquisitions, Mackinnon and Ballantyne (which made no contribution to pretax profits) working capital actually fell by £1.1m. The group benefits from the fall of the pound against the dollar but little of its business is dollar orientated. Against European currencies

Johnson Matthey Another solid performance

Johnson Matthey's final quarter produced £15.3m pretax, less of a downturn from last year's £18.4m than might have been expected in view of the scale of activity on the precious metals markets at the beginning of 1980. So the full-year return is £45.6m, an 18 per cent improvement to follow up last year's 78 per cent and good enough to push the shares up another 13p to 283p where they yield 4.7 per cent. This is a demanding rating, though it rests comfortably on the knowledge that the rights issue proceeds should chip in at least £5m in a full year, so £50m-plus is attainable on static trading. Any upturn in turnover on the bullion markets or any improvement in economic activity for the colours and mechanical divisions will provide an extra fillip—in the former case a substantial one.

Last year's anti-recessionary strength arose primarily from the refining and chemicals division which raced ahead as the metals deals in the boom came through for processing quicker than usual because of the cost of holding precious metal stocks at high interest rates. In dealing and trading the performance of platinum should have more than doubled last year's £2.2m contribution, while banking fell as the metal markets slipped into the doldrums and colours and mechanical met the full force of the recession.

Given, therefore, that the overall picture now looks rock solid if unexciting, the shares may well tend to drift somewhat from this level, but the fall could hardly be significant against this quality of performance.

There was nothing much for financial markets to get their teeth into in yesterday's economic statistics. The April industrial production figures continue to suggest that the recession may have been bottoming out in the first quarter of the year, rather than point to the long-hoped for recovery. Certainly, there has been no sign from the Prime Minister over the last couple of days that there is going to be any stimulus from the Government end. Meanwhile, the make-up day for the June money supply figures came and went without serious hiccups. The authorities moved quickly to relieve an unexpected shortage in the money markets and the overnight interbank rate never went higher than 12 per cent.

New York In the two years since President Carter swept away the mountain of federal rules and regulations which laid down in detail where American airlines should fly, how often and at what price, the industry has been transformed.

It was then among the costliest and most profitable cartels in North America, with airlines competing in the extravagance of their advertising campaigns, the quality of their food and their ability, or otherwise, to deliver you and your luggage on time. But real competition barely existed. Price cutting was not allowed, and airlines could not muscle in on routes served by their rivals.

After Mr Carter allowed price control and freedom of entry into the business, that all changed. Now air transport is the target for a breed of entrepreneurs who are not so much new as a throw-back to the development of the pioneer days of commercial aviation in the 1920s.

The established airlines are an easy target. Their expensive planes, prestige offices in the plush parts of the city, huge computer installations and massive overheads all make them ill-equipped for price cuts. So they are under siege—in California from PSA, in the South from Texas International, in the Chicago area from Midway and in the East from New York Air.

But for some, the most significant development is the launching of People Express, an airline which began flying only at the beginning of May. Rather than simply cut fares, it has challenged several of the basic concepts of air travel.

No one can complain about the food, because there is no food, says joint founder Mr Gerald Ginter, a 36-year-old marketing and planning expert who was formerly one of the youngest ever vice-presidents of TWA. His partner, and the airline's operations expert, is 39-year-old Mr Donald Burr. The two met during a brief stint together in the executive offices of Texas International—then known disparagingly as "Texas Airlines"—but now so

America's latter-day barnstormers

In the second of two articles on 'no frills' flying Anthony Hilton describes a new US airline



Mr Donald Burr, left, and Mr Gerald Ginter, joint founders of People Express: "No one can complain about the food, because there is none."

powerful that it is trying to take over Continental, one of the top 10 trunk carriers in the country.

No food means no galley on the aircraft, which gives more room for paying passengers. But it means a lot more besides. It frees the flight attendants to collect fares rather than serve food, so the airline does not need ticket offices of its own. Passengers who feel the need for a ticket can get one through a travel agent, others need simply to telephone

to make a reservation and pay the fare on board.

The extra space also means that there is more room for luggage in the cabin racks, and underneath space has been redesigned. Passengers are actively encouraged to carry their luggage on board—so actively in fact that if you want your bags conveyed in the conventional way there is a \$3 surcharge for every item.

Minimising luggage handling obviously saves labour costs, but

it also means that passengers can get on and off much faster.

The company says that passengers with reservations need to arrive only 10 minutes before departure time and walk straight on board. At the other end they can leave immediately without having to wait for luggage—which of course means the aircraft can be turned round more quickly and used more intensively and efficiently.

All this, plus the shrewd purchasing of second-hand Boeing 737s admirably suited to short-

haul operations and the use of flexible, non-union labour, translates into astonishingly low fares, particularly outside the rush hours. From New York to Buffalo, 400 miles, costs \$23; to Columbus, Ohio, 550 miles, costs \$35; and to Jacksonville, Florida, 1,000 miles, costs \$49—which is like flying from London to the South of Spain for less than £25. Before People Express began operations the competition was charging \$99, \$146 and \$172 respectively, so it is not surprising that the first day the newcomer advertised its reservations desk handled 7,000 phone calls and it has been flying ever since.

That the airline is flying at all is also a tribute to the willingness of the American capital markets to back new ventures. Its founders, though they lack ideas and experience, had no real money of their own, and certainly not enough to launch an airline. But last November San Francisco merchant bank Hambrecht & Quist (which also floated biotechnology company Genentech and Apple Computer) organized a share issue which raised \$26m (£12.7m) in start-up capital.

This gave the company the "credibility" needed to borrow a further \$37m from Bank of America and other smaller banks to finance the purchase of its aircraft. And so shrewdly did it bargain, its entire fleet of 17 Boeing 737s bought secondhand from Lufthansa will cost only a fraction more than just one of the new Boeing 757s to be delivered to its competitors from 1983 onwards.

Burr and Ginter are already millionaires—at least on paper—but it is still far too early to say whether they or their airline will be a long-term success. Although the established carriers cannot compete with it, there is the much more likely prospect that other "no frills" airlines will try to ape its success. And if that happens life will obviously become much tougher—though even better for the customer.

Perhaps then the American public will remember how, on leaving office, President Carter pointed to de-regulation of the airlines as one of the unappreciated successes of his administration—and appreciate it.

Economic notebook

Floating into a world of fixed rates?

An increasingly vociferous school is saying that floating is fine in theory but is creating all kinds of difficulties and dangers in practice.

interact through two great "oil shocks".

More important is the second, and principal premise of the floating rate system: the only logical one to use in a world in which domestic economic policies are largely monetarist-oriented.

Monetarists argue that if the prime aim of domestic economic policy is to control the domestic money supply, then the authorities must concentrate solely on controlling the quantity of money and forgo any attempts to establish a desirable price for it. That means abstaining from trying to set either an internal price (interest rates) or an external price (the exchange rate).

The problem with trying to meet an exchange rate target while pursuing a domestic money supply policy is quite simply that an exchange rate target almost inevitably involves official intervention in the foreign exchange markets. That, in turn, means that money is constantly being pumped into the system or, if the exchange rate is being supported, drawn off. In short, it threatens to undermine the whole process of monetary control.

Expansionary

From the hard-line floaters we can move on to the qualified floaters. This increasingly vociferous school says (or seems to say) that floating is fine in theory but is creating all kinds of difficulties and dangers in practice.

The problem, as they see it, is that some governments, notably the American Government, are not playing the game. They are pursuing monetarist policies but allowing too much

of the strain to be taken by interest rates, rather than fiscal policy. In other words, fiscal policy is still too expansionary in relation to the restrictive stance of money supply targets, with the inevitable result that interest rates shoot up.

This, consequently, causes large shifts in foot-loose international funds, (of which there are plenty about, thanks to the huge surpluses of the nations which make up the Organization of Petroleum Exporting Countries (Opec) and the explosive growth of offshore money generally) and exchange rate movements which bear little relation to underlying inflation rates and trading patterns.

Shift the main burden of counter-inflation policy to fiscal measures, say the qualified floaters, and the floating rate system may well be able to work in an acceptable and useful way. Not so, say the anti-floaters. The whole point is that govern-

ments really cannot be relied upon to pursue well-balanced policies under the present system. Some see the easing of monetary policy (publicly notified or otherwise) and a market adjustment to the exchange rate as an easy escape hatch if the political going gets too tough. Others may simply find it more expedient from the outset to throw the burden of policy on market forces rather than unpopular fiscal decisions.

Given that, and given the interest rate volatility inherent in some countries' monetary control techniques, then one is living in a dangerous world. Dangerous in the sense that industry is unable to plan; dangerous, too, because countries at the other end of sharp exchange rate movements will inevitably be tempted to take defensive action.

But that is not the end of the argument. Some fixed rate advocates would also question the adjustment mechanisms of a monetary/floating exchange rate system.

Pressures

Take, for example, the case of excessive demand developing in a particular economy, or a rise in relative costs. The demand for money would almost certainly rise and against a background of firm money supply restraint that would lead to rising interest rates and in all probability a rising exchange rate, too. In other words, the cost of money is raised and the pressures of international competitiveness intensified.

But is that necessarily the

right approach to the underlying problem? Arguably, a strict fiscal adjustment might be a better way to deal with excessive demand and a depreciation of the currency (along with other supportive internal measures) the better way to deal with an underlying change in relative competitiveness. In a sense, of course, that all points to a return to the bad old days of fiscal fine-tuning. Perhaps, however, the lesson that has since been learnt is precisely that fiscal fine-tuning is not so bad provided that fiscal policy as a whole is operating within the constraints of broad monetary framework.

How the exchange rate debate will evolve is anyone's guess. But two things at least seem clear. One is that any particular system is likely to work better given more fiscal discipline on the part of individual governments. The other is that there will be a great deal of indeterminateness of any one system against a background of Opec surpluses and external free-flow of capital movements.

The traditional argument is that a fixed rate system during the seventies would have required deflationary fiscal adjustments that would have been politically and structurally impossible. The counter-argument is that the offsetting benefit would have been a more stable financial environment in which a far larger part of the world's increased savings would have found its way into real rather than paper assets.

John Whitmore

Business Diary: At last, Sir Campbell • Mrs Thatcher relents

The next president of the Confederation of British Industry is to be Sir Campbell Fraser, the Pringle of Scotland, Braemar and Ballantyne luxury knitwear group, was in town from Kinnross yesterday to explain why Dawson has become second biggest profit earner in textiles, with pretax profits of nearly £21m (in the year to March), while all Courtaulds could manage was £5.1m.

"I was brought up," he told me, "in Lanarkshire between the wars which meant we were poor and dad was often out of a job. The other day I ran into the vice-president of a United States bank. He told me that he had a huge income, stock options and a fine car—and that he could be out of a job at one day's notice. He thought this was fair. So did I."

Sir Terence Becket, the director general of the CBI, said yesterday that the real reason was that Sir Raymond was ill at the time.

Sir Campbell, who will take over the presidency in eleven months and is a forceful speaker, is a director of British Petroleum, British American Tobacco Industries and Finance for Industry and is chairman of Scottish Television.



Alan Smith (right), chairman of Dawson International, the Pringle of Scotland, Braemar and Ballantyne luxury knitwear group, was in town from Kinnross yesterday to explain why Dawson has become second biggest profit earner in textiles, with pretax profits of nearly £21m (in the year to March), while all Courtaulds could manage was £5.1m.

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EMI has won the race to release the first recordings of Chinese music to be made in Peking for foreign consumption, since Chairman Mao came to power more than 30 years ago.

There are three LP records, one by a woman soloist on a traditional Chinese instrument—the jing—and two of traditional and contemporary Chinese music by the China National Broadcasting Orchestra conducted by Peng Xunwen.

The deal was clinched by Malcolm Brown, EMI's South-east Asia music man in Hong Kong. He has made three trips to Peking in the last year, beating the American recording company CBS to the punch. They, too, plan an album of traditional Chinese music.

the taxi like the next man.

Smith said that they needed as much as 100,000 of them and a lot of this came from China and Mongolia. "But the nomads there cannot meet our specifications. So we have started a cashmere goat industry in Australia's New South Wales, and where we get a present around 40p of cashmere a goat, we could wind up getting a pound or two. But this is five to 10 years away."

"Japan is a fast growing market. In October we will help to sponsor a Japanese art and culture exhibition at London's Royal Academy, along with people like Shell. If, say, 4,000 people go through the gates it will not cost us a penny."

Brown says that his three records did better than expected when released in Japan and there are now plans to release them more widely, beginning with Italy and New Zealand, where the Chinese orchestra has toured. A fourth record, a trendily-entitled "Greatest Hits" of the Peking Opera, is also on its way.

Brown is trying to get the Chinese interested in EMI's western recordings—pressing, manufacturing and selling the discs in China. The three discs he is releasing in the West were cut in Peking but pressed in Singapore and Hong Kong.

He played recordings of Mozart's Eine Kleine Nachtmusik and the Beatles' Yellow Submarine to broadcasting

Government ministers are rarely seen at wine tastings in these austere times, but there was a more than convivial welcome for Geoffrey Pattie, Under-Secretary of State for the RAF at the Ministry of Defence, at a tasting given yesterday by Dolanore of London, Oxford and Cambridge, at the Caledonian Club.

It was due to his personal intervention with the Prime Minister that Dolanore got a year's reprieve for the use of his own bonded warehouse for wines at its Paddington Green headquarters—one of the few such warehouses in central London, owned by an independent firm.

Owing to cutbacks in Customs and Excise manning, levels it would have been due for closure under regulations stipulating a minimum turnover and size of stock.

Chairman Simon Bradley explained: "Geoffrey Pattie is a customer and an old friend and was able to make representations for us to the Prime Minister in view of our export potential. It is extremely encouraging that the Prime Minister should take a personal interest in fulfilling an election manifesto promise to support small businesses."

Dolanore, which received the Royal Warrant in January, has plans through a subsidiary company to export its own brands of gin and whisky, as well as table wines, very soon.

"I am confident we can expand business to meet the new regulations," Bradley says.

Packaging is a pet hate with the people who make it, like you are fascinated by ting of one sort or another, then keep an eye open for "Taking the biscuit", an exhibition of this made for Haffley and Palmers between 1875 and 1939.

The exhibition opens at the Geoffrey Museum, Hackney, London, on July 8, and from August 3 it will go on tour throughout the South-east for the next year or so.

The "chess" was all made by the Reading firm of Huntley, Bourne & Stevens and include the "Seasons" of about 1885, which is like a French snuffbox, and "Egyptian vase" of 1924, which might have been inspired by Lord Carnarvon's discovery of the tomb of Tutankhamun.

Huntley and Palmers, part of Associated Biscuits, maintains the tradition and has naturally brought out a Chess and Di tin. The exhibition is of items from the Palmer collection at Reading. Art Museum, which Associated biscuits put on permanent loan there when the group emerged from the amalgamation of H and P with Jacobs and Peck Freans.

Margaret Thatcher jokes: "The Prime Minister is out strolling with a secretary when she stops before a shop window. 'See that 3 Trowsers £3 jackets £10: how can people say we're not beating inflation?' " Prime Minister, replies the secretary, "that's a dry cleaner's."

Ross Davies

Chesterfield Properties Limited

RESULTS FOR THE YEAR ENDED 31st DECEMBER, 1980.

	1980 £000	1979 £000
Rental Income	4,882	4,032
Profit Before Tax	3,321	2,859
Profit After Tax	1,630	1,539
Earnings per Share	8.22p	7.77p
Dividend per Share	6.00p	5.00p

* Profit Before Tax Increased by 16%
* Dividends Increased by 20%

Copies of the Report and Accounts can be obtained from the Secretary, Chesterfield Properties Limited, 56 Cannon Street, London W1V 8EY.

Rowlinson

Mr. P. J. Rowlinson, Chairman, reports on the year ended 31st March, 1981:

- ★ Before-tax profits £240,516
- ★ After-tax profits with stock relief £850,137
- ★ Year of consolidation; now prepared for an upturn
- ★ 200,000 sq. ft. of new industrial property ready for letting
- ★ Increased profits forecast in the coming year

Accounts available from the Secretary
ROWLINSON CONSTRUCTIONS GROUP LTD.,
London House, London Road South,
Poynton, Cheshire SK12 1YE

PERSONAL CHOICE

Broadcasting Guide

Edited by Peter Davale

RADIO

Radio 4

6.00 News Briefing.
6.10 Farming Today.
6.30 Today's Prayer for the Day.
6.45 News.
7.00 News.
7.15 The Living World.
7.30 News.
7.45 News.
8.00 News.
8.15 News.
8.30 News.
8.45 News.
9.00 News.
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9.30 News.
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5.30 News.
5.45 News.
6.00 News.

Radio 3

7.00am News.
7.05 Morning Concert: Cherubini.
7.15 News.
7.30 News.
7.45 News.
8.00 News.
8.15 News.
8.30 News.
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5.45 News.
6.00 News.

the Night and the Music. VHF
RADIO 1 AND 2: 5.00 am-10.00 pm
With Radio 2: 10.00-12.00 pm With Radio
12.00-5.00 pm With Radio 2: 5.00-10.00 pm
ONLY: 5.55-6.00 pm Open
University. 11.15 pm-12.55 am Open
University. 11.15 pm-12.55 am Open
University. 11.15 pm-12.55 am Open
University.

Radio 1
5.00 am As Radio 2. 7.00 Mike Read.
9.00 Simon Bates. 11.00 Andy
Peebles. 12.30 pm Newsbeat. 12.45
Paul Barnett. 2.30 Dave Lee Travis.
4.30 Peter Powell. 5.30 Newsbeat.
7.00 Dave Lee Travis. 8.00 Richard
Skinner. 10.00-12.00 John Peel.

World Service
BBC World Service can be received in
many parts of the world on the following
frequencies (all times in GMT):
5.00 am As Radio 2. 7.00 Mike Read.
9.00 Simon Bates. 11.00 Andy
Peebles. 12.30 pm Newsbeat. 12.45
Paul Barnett. 2.30 Dave Lee Travis.
4.30 Peter Powell. 5.30 Newsbeat.
7.00 Dave Lee Travis. 8.00 Richard
Skinner. 10.00-12.00 John Peel.

TELEVISION

BBC 1

6.40 am Appleton House. 7.05
Feature Films as Propaganda.
7.30 A New Look at Bonding.
9.47 For Schools. Colleges:
Science (water). 10.10 Merry-go-
Round. 10.35 Anatomy of a
Gang. 11.05 Near and Far
(humor).
11.25 Cricket: The First Test.
England versus Australia. From
Trent Bridge. Live coverage.
More at 3.00. Then coverage
switches to BBC 2 (4.55). And
there highlights tonight,
also on BBC 2, at 10.15.
1.15 pm News. 1.30 Check-
down at 1.45.
2.00 You are the Judge. For the
toddlers. 2.15 For - Schools.
Colleges: Music Time (Dancing).
2.40 Television Club.
3.00 The First Test: Further
coverage of the first day's play.
The commentators are Richie
Bennard, Jim Laker, Ted Dexter
and Mike Smith.
3.55 Play School: The Sailor, by
Dick Rickard. 4.20 The Perils of
Penelope. Fifties: Cartoon (r).
4.40 Oscar, Kina and the Laser:
Cartoon adventure story, told
by Ray Brooks, and made in

Spain. 5.00 John Craven's
Newsround. 5.10 Blue Peter:
Hedge and just the tortoisest,
take part in the great race at
Corpus Christi College, Oxford.
Plus rap-dancing from Julie
Parker.
5.40 News with Richard Baker.
5.55 Regional news magazines.
6.20 Nationwide: Alan Towers
from Midlands Today presents
the Great Race item.
6.45 Tomorrow's World: The
Prince of Wales meets the
finalists in part one of the
Prince of Wales Award for
Industrial Innovation and Pro-
duction, and their entries will
be seen.
7.20 Top of the Pops with Peter
Powell as MC.
7.55 The Hitch-Hiker's Guide to
the Galaxy: Pursued by nuclear
missiles, Zaphod, Beelzebub,
heads the stolen spaceship
towards the legendary planet of
Magrathea (r).
8.30 Rings on Their Fingers:
Another showing of this com-
edy series, starring
Diane Kneen and Martin Jarvis.
Tonight: the difficulty of buy-
ing a birthday gift for a girl
who seems to have everything
(r).

BBC 2

6.40 am Open University: The
Atlantic Ocean. 7.05 Screen-
ing Nuclear Hazard. 7.30 Maths:
Vector Spaces.
11.00 Play School: Same as BBC
1. 3.55 (The Sailor). Closedown
at 11.25.
1.30 pm Royal Ascot and
Tennis: Tracy Austin defends
her title in the BMW Champi-
onships. At 2.30, 3.45, 4.30, 5.30,
6.30, 7.30, 8.30, 9.30, 10.30, 11.30.
Further coverage at 4.35 and at 11.30 tonight.
The commentators are Dan Maskell,
John Barrett and Ann Jones.
The Ladies Day at Royal Ascot.
We see the 2.30, 3.45, 4.35 (The
Gold Cup) and 4.30 races.
4.35 Tennis and Cricket: Fur-
ther coverage of the First Test

between England and Australia,
at Trent Bridge, and of the
BMW Championships at East-
bourne.
7.00 Open University: Shop
Supervisor.
7.00 Cartoon Two: The Swedish
Carrot. The Statue.
7.15 News with sub-titles for
the hard of hearing.
7.25 Debra Smith's Cookery
Course: How to prepare sweets
and cold puddings, including
rich chocolate mousse, summer
pudding and Strawberry Pavlova.
7.50 The Pursuit of Power:
Robert McKenzie, interviews
David Owen, one of the leaders
of the new Social Democrats.
He explains why he left the
Labour Party and helped set up
the new one. Repeated next
Thursday night.
8.30 Battlefront: Went the Day
Went (1942). Sleepy English
village becomes a front line
during the Second World War.
Adapted from a Graham Greene
story, and starring Leslie
Banks, Mervyn Johns and Marie
Lob. Directed by C. Cavallini.
(See Personal Choice).
10.00 Royal Ascot: Highlights of
Ladies Day, including The Gold
Cup.
10.45 Cricket: The First Test.
Highlights of the first day's
play.
10.45 Newsnight: bulletins and
analysis.
11.30 International Tennis:
Highlights from today's play in
the BMW championships. Ends
at 12.15 am.

Thames

9.30 am For Schools: Under-
standing Politics. 9.52 Hot and
cold. 10.05 Selby coalfield. 10.31
Preparing for birth. 10.53 A-
level physics. 11.10 Children's
week nursing. 11.27 Britain's
coastline. 11.44 The Ark. Box
Office. 12.00 The Ark. Box
Office. 12.10 pm Get up
and Go! Beryl Reid programme
for the toddlers. 12.30 The
Sullivan: Australians at war, in
Africa.
1.00 News. 1.20 Thames news:
1.30 Take the High Road:
Scottish serial. Dinner at the
house.
2.00 Here Today: Songs from
Iris Williams. plus Diana Moran
and the new Jacksons.
2.25 Best Sellers: Top of the
Bill. Former executive dreams
of fame amid the snows of the
Winter Olympics. With Wayne

Rogers. Part 2 tomorrow (r).
4.15 Boys Run and Friends:
The new Jacksons.
4.45 Gymnastics: The Daily
Mirror. USSR Gymnastics
Scholarships 1981. From the
National Sports Centre, Crystal
Palace. 5.15 Emmerdale Farm:
The new Jacksons. A John
Ryan story. 12.10 pm Get up
and Go! Beryl Reid programme
for the toddlers. 12.30 The
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2.25 Best Sellers: Top of the
Bill. Former executive dreams
of fame amid the snows of the
Winter Olympics. With Wayne

Amos Brearly (Ronald Magill) turns newspaper editor in Emmerdale Farm (Thames, 5.15). It is screened in other ITV areas at differing times tonight and tomorrow.

● WENT THE DAY WELL? (BBC 2, 8.30pm) brings down the curtain on BBC 2's season of war films. It is, perhaps, the least known of them. That is not to say that, for this reason, the season goes out with a whimper. This old Ealing film about an English village invaded by German paratroopers is the work of Alberto Cavalcanti, the Brazilian-born director who made a considerable impact on the British documentary film movement of the Thirties. His was one of the guiding hands behind the famous GPO Film Unit production Night Mail, and North Sea. Heightened fact was his forte, and Went the Day Well admirably demonstrates this quality in his work. He was not at his best with pure fiction, viz Nicholas Nickleby. But his was the episode about the fiendish old in the horror compilation Dead of Night. It is a tale that still makes me damp-browed when I think of it.
● The Australian-made serial based on Nevil Shute's A TOWN LIKE ALICE reaches its conclusion tonight (BBC 2, 9.25pm) and I strongly deplore the way it clashes with Went the Day Well on BBC 1. The corporation's alternative viewing policy is a highly commendable one, but its effectiveness is impaired when drama is opposed to drama. My colleague Peter Dear has already praised this adaptation of the Shute novel. Let me heap further garlands on its head. It respects the wide span of the book as the otherwise worthy Rank film of the Fifties did not. It is exceptionally well cast and makes the maximum use of its location. In short, it doesn't compromise over quality merely because it was made for TV and not the cinema.
● Part two of HANGING FIRE: THE STATE OF ISRAEL (BBC 2, 10.15pm) examines the Israelis' first 14 years as conquerors of former Arab-held lands. Or are they merely retrievers? Or tyrants? Martin Younger is a well-balanced report, and the centre ground in the argument is interestingly filled in by those Israelis who are agonising over their new role of occupier and whether it means the same thing as oppressor.
● The Radio Theatre 81 experiment on Radio 3, which has brought us plays that have already been staged, has been an up-and-down success story. We have sometimes had the worst of both worlds, not the best. Tonight's play, Tom McGrath's WHO ARE YOU ANYWAY? (7.30pm), about three characters with no names or backgrounds, was recorded before an audience at the Transverse Theatre in Edinburgh. What benefits we, the listeners, derive from such a method of presentation remains to be seen.

SYMBOLS KEY: (STEREO); *BLACK AND WHITE; (REPEAT).

REGIONAL TV

ATV
As Thames except: 1.20 pm-1.30 News. 1.30-1.45 News. 1.45-2.00 News. 2.00-2.15 News. 2.15-2.30 News. 2.30-2.45 News. 2.45-3.00 News. 3.00-3.15 News. 3.15-3.30 News. 3.30-3.45 News. 3.45-4.00 News. 4.00-4.15 News. 4.15-4.30 News. 4.30-4.45 News. 4.45-5.00 News. 5.00-5.15 News. 5.15-5.30 News. 5.30-5.45 News. 5.45-6.00 News. 6.00-6.15 News. 6.15-6.30 News. 6.30-6.45 News. 6.45-7.00 News. 7.00-7.15 News. 7.15-7.30 News. 7.30-7.45 News. 7.45-8.00 News. 8.00-8.15 News. 8.15-8.30 News. 8.30-8.45 News. 8.45-9.00 News. 9.00-9.15 News. 9.15-9.30 News. 9.30-9.45 News. 9.45-10.00 News. 10.00-10.15 News. 10.15-10.30 News. 10.30-10.45 News. 10.45-11.00 News. 11.00-11.15 News. 11.15-11.30 News. 11.30-11.45 News. 11.45-12.00 News. 12.00-12.15 News. 12.15-12.30 News. 12.30-12.45 News. 12.45-1.00 News. 1.00-1.15 News. 1.15-1.30 News. 1.30-1.45 News. 1.45-2.00 News. 2.00-2.15 News. 2.15-2.30 News. 2.30-2.45 News. 2.45-3.00 News. 3.00-3.15 News. 3.15-3.30 News. 3.30-3.45 News. 3.45-4.00 News. 4.00-4.15 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